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# Maclean's

CANADA'S WEEKLY NEWSMAGAZINE FEBRUARY 16, 1992 VOL. 155 NO. 4

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## COVER

### HOW TO BEAT HARD TIMES

With unemployment at 1.4 million, and after almost two years of recession, pressure is mounting on the federal government to loosen its purse strings in order to try to job the economy out of the slump. But as he prepares to table his budget later this month, Finance Minister Donald Macdonald is adamant that the country "is not in the mood" for either higher deficits or higher taxes. — 32

## ROYALTY

### A GLIMPSE OF 'ELIZABETH R'

Forty years after she ascended the throne, Queen Elizabeth II is one of the world's most famous faces and, at the same time, almost completely unknown. A new book, *Elizabeth R*, and a TV documentary with the same title, airing on Feb. 6 in Canada, provide rare glimpses of the Queen in unguarded moments. — 44



## TELEVISION

### FINE-TUNING CTV

Since becoming president two years ago, John Casaday has worked to improve CTV's bottom line—and to smooth relations among its warring owners. Last week, his efforts appeared to have paid off: the CTV board signed on a new ownership structure that Casaday says will revitalize the network. — 68





# Flying Without A Map

Rarely since the very early days of the Great Depression have governments shown themselves to be as bereft of new thinking, imagination or courage as during the current, deepening recession, which, for the thousands of Canadians so without, is already a depression. In Washington, President George Bush provided a concrete measure of stimulus and as a token of a great deal more. His major initiatives included a proposal to let first-time home buyers deduct into tax-free retirement funds, without penalty, to help in the financing. He will also ask Congress to agree to reduce the amount of estate tax that is withheld from regular paychecks, leaving wage and salary earners with more immediately disposable income, and to provide small tax breaks, largely for those at middle and upper salary levels. He also increased funding for child-development programs, nutritional assistance and preventive health measures. But at the same time, he proposed that Congress reduce spending for health-testing commitment, subsidies for most transit in cities, Amtrak and housing the disabled and the elderly. Most dramatically, Bush plans to cut \$50 billion from the defense budget, an action rightly applauded around the world.

But in the absence of alternative programs, the defense cuts will add tens, perhaps hundreds, of thousands of people to the unemployment rolls, cause those communities that are almost totally dependent on revenues earned from supplying local military bases and work closely with industries that have

been largely built on huge defence contracts. Any rational person will rejoice at the prospect of the shrinking of the U.S. war machine. The troubling aspect is that like most of Bush's other measures, it is taking place in the absence of an overall plan for economic recovery. The program has no coherence.

In Ottawa, Prime Minister Brian Mulroney says that the federal government will maintain the status quo, concentrating on trying to keep interest rates falling in step with inflation, while using any surplus funds to reduce the deficit. It is difficult to argue against these specific goals in isolation (although it is a challenge to convince retired people in fixed incomes that plummeting interest income from their lifetime savings is a desirable long-term prospect). The problem with Ottawa's position is similar to Washington's: it is without coherence, or certainly without the appearance of any.

In both countries, it is the lack of a convincing plan for recovery, so much as the ideological host of policies themselves, that is troubling many business and labor leaders, as well as the millions of people who leave their jobs every day uncertain if there will be one to return to the next. It is only by committing themselves to a single set of clear, understandable and complementary programs—regardless of the political risk—that government leaders can provide the framework in which citizens will find their own ways of stepping the side into a much darker phase of what is still a recession. Nothing less is acceptable.

*Kevin Doyle*

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# OPENING NOTES

Don Cherry buys a collector's item, Patrick Boyer thinks independent thoughts, and William Clinton plays for time

## LIBEL CHILL HEATS UP

The Toronto Globe and Mail's Kimberley Noble says that she is finding it hard to concentrate on writing with the recent publicity surrounding her planned book about the Brouha family. And last week, Wilfred H. Harewood, president of Harewood International Resources Inc., the Toronto-based merchant bank controlled by Peter and Edward Brouha, was defying charges that his letter to Noble's publisher, Macmillan, was a warning not to publish. Said Harewood: "That was never our intention. We expected they'd just fax us back a letter telling us that they would take our warning under advisement." Mean-



L.Harewood: a warning gone awry

while, Thomas Reid, a spokesman for the firm, appeared on CBC's *Middley*, and while discussing Noble's 1991 National Newspaper Award for a series of articles that she wrote about the Brouhas—and the books for the book—she looked at Pulitzer Prize that Washington Post reporter Janet Cooke received in 1981 for a series on drug abuse that she later admitted she had fabricated. Things may get work out for Noble. Macmillan said that it was reconsidering its decision not to publish, and a group of Toronto and Montreal financiers has indicated a willingness to destroy Noble's legal costs should the Brouhas sue. But Noble says that she is outraged about Reid's implication that she made things up. She added: "I have nothing personal against them—no desire to damage their reputations, just to collect the facts."

## Controversy casts a shadow

One of the 72 Canadians who were appointed to the Order of Canada last month was prominent Montreal plastic surgeon Jacques Papillon. But considerably, the situation occurred during a week in which Health and Welfare Canada rejected that sales of silicone breast implants be suspended because of health concerns. In 1973, Papillon, 57, patented the Perma-Papillon silicone breast implant. The manufacturer, Indiana-based Surgitech/Medical Engineering Corp., later took it off the market. Officials with the Governor General's office in Ottawa said that Papillon received his award for his donations to plastic surgery. However, Marcelle Turill, a cofounder of the Montreal-based I Know My Size support network for implant patients, says that the appointment is a setback. She added: "They are laughing at us



Papillon: 'a mass-media hysteria'

and sending us at the same time." But Papillon, who says that breast implant surgery now accounts for only five per cent of his work, declined. "Now, the public is worried and anxious for me to resign. The mass media has created a mass hysteria."

## A VERY MIXED GRILL

The guest list at a recent private dinner at Montreal's McGill Faculty Club was an odd collection of high-profile Quebec Anglos and several non-Quebecers. Such luminaries as Ottawa lobbyist Richardson Anderson, Louis Boudard, former head of the province's civil service, and McGill political scientist Alain Gagnon listened to a speech by the guest of honor—former party leader Preston Manning. One guest told Maclean's that the purpose of the dinner was to let everyone get acquainted. He added: "For better or worse, I guess we succeeded in that."

## SITTING FOR PRESIDENT

Scandal continued to rock Arkansas Gov. William Clinton's bid for the Democratic presidential nomination last week, despite the diligence of his staff members, who fought to prevent their candidate in the best light. Indeed, they recently arranged for him to play his saxophone at a local event in a Washington nightclub. But when one of Clinton's aides learned that fringe presidential candidate Ross Perot would be at the club, the aide called and asked the bar to lay him off for the evening.

Clinton: 'a great'



Hendon, a 30-year-old part-time bartender and performance artist who wears white and blue suits and who once made a campaign appearance on a Washington freeway along a portable toilet, said that he was intrigued. "They treated me like a big name," he said. He estimates that the incident cost him \$145 in tips—no mean sum for a candidate whose campaign is already \$100,500 in debt. Still, Hendon says that he is not going up the night—even though he is five years younger than the nation's allowable presidential age of 35. He campaign slogan: "If you don't vote, I just might win."



Clinton, with Hillary: scandal



Cherry: some fond memories of Ballard

## A collector's Continental

Don Cherry has a new car—and a very special one at that. The colorful star of Hockey Night in Canada's Tuesday night *Don Cherry* show that he recently spotted a 1963 Lincoln Continental. When he visited the woman who owned it, he discovered a custom-built black model with a white roof and blue upholstery. Cherry, who already owned two Lincolns, said that when he asked the owner about the car's unusual scheme, she told him that former Toronto Maple Leafs owner Harold Ballard, who died in 1980, had once bought it for \$100,000. Apparently, Ballard ordered a new Lincoln every year painted in the Leafs' colors. Said Cherry: "I remember 18 years ago, I used to see this blue-and-white Lincoln outside the Gardens. I used to think, 'What a nice car.' " Cherry added that he was one of the few people in the hockey world who liked the eccentric and egotistical Ballard. "It's ironic that I would end up with Harold's car," he said. "And to tell you the truth, I treat it with reverence."

## A CASE OF MUSICAL SEATS

When the federal government shelled glass for a constitutional referendum last fall, Patrick Boyer, a Toronto Conservative MP who supported the idea, expressed his frustration publicly. Now, Boyer says that he has considered leaving the Tory caucus—and sitting on the "Independent Tory." But he told Maclean's that he is not thinking about joining the Liberals. He acknowledges that he sometimes lunches with Liberal Senator Keith Bovey, but says that they have not discussed a switch in party allegiance. Still, rumors persist that PMO chief of staff Hugh Segal recently had to tell Boyer not to defect. For his part, Boyer says that his lunches with Bovey are just social. But, he said: "Hugh could talk anybody out of anything."

## THE KING CONSPIRACY

After the success of Oliver Stone's controversial movie *RK*, Canadian film producers Don and David Owsen are planning his new conspiracy thriller called *The King Martin Luther King*—which will include a hit-and-run involving James Earl Ray, the civil rights leader's convicted assassin. According to Donato, the film will



Ray, a new angle

be based on the 1981 book of the same name by Ray. In the book, Ray maintains his innocence and claims that he is a victim of a widespread conspiracy involving the *Rev. Martin Luther King Jr.* Donato said that the movie will delve into Ray's life in Canada, where he stayed for about a month after King's assassination. The producers added that the movie may be completed by next year—the 25th anniversary of King's assassination. He added: "We're interested in exploring a dramatic form the time that he spent in Canada."



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## AN AMERICAN VIEW



## Beware the defenders of the middle class

BY FRED BRAUNING

Or politicians have sensed the huge expense of national and federal elections, in time for the great U.S. election campaign of 1992, that they will pledge themselves to reinvigoration of the middle class. This is a brave stuff. This is a wonderful leadership. This is a bold initiative. This is a plan.

No doubt the middle class has taken a beating lately. Ronald Reagan asked the voters if things were better after four years of Jimmy Carter; not, recognizing, the nation replied that things were not. Now, what do we have, compliments of the Gipper and his successor? Layoffs, empty storefronts, plant closings, unemployment lines, homeless people trudging through the streets like some forlorn and ragged army.

We have a President who took pride in decisions, as asked, that the economy was real. We have anti-environmenters who insist that their people have nothing from abroad (though as we believe that anyone. Accordingly, we are invited to a new round of Japan beating—the Japanese taking their place as this year's designated public enemy. Sheldon Hansen may yet make a return engagement.—The New York Times reported that the White House is considering a covert plan to oust the hated living kangaroos so he does not pose an impediment to the re-election of George Bush—but for now, the Japanese serve the purpose. Are we better off than before? Kinder and gentler? Still number 1?

Stop, already. When the politically sensitive — Democrats or Republicans — start talking about the middle class, it's a sure bet someone is about to be fired. Conversely, the very term "middle class" has an all-purpose quality well-suited to the art of double-speak. Because or think, that in the question if you make \$50,000 a year, but almost definitely and lower full-body terms,

Fred Brauning is a writer with *Newsday* in New York.

*Politicians who profess concern for 'good people' show disdain for those who fail tests of color, origin, income and outlook*

are you middle class? If you live in a suburban suburb, read *Prozac* and *Madame*, where do you think you are?

In the United States, most kids want to think of themselves as part of the mighty mainstream—modest enough to recall their origins, solvent enough to order pizza on Friday nights and maybe catch the late show at the local Cinema. Millions of us qualify for membership in this club, the Grand Unified Society of Americans where we Less Getting By, but there are plenty whose lack records are entirely too robust for consideration and a lightning round of classes (disqualified on account of being fat broke).

Poverty is the poor. Americans are compassionate of wealth, but they are deeply afraid of the poor. They fear seeing themselves at those hand-to-hand, spitting their own vomit and daughters on welfare lines, dealing with clergy-patrons who lack money for dental, nursing homes. Although the Puritan ethic prevails for Americans often to judge their ugliest brothers and sisters into showy suits—or else women's the least money as he roamed among the world? After the poor we transfer our grand and terror and suspicion and failures. No

show our preferences to roll and rain. Do politicians know that? Does the President eat pork ribs?

So there now is a tremendous crash to let the "middle class" know who its friends are. Democratic candidates are busily assuring the electorate that there is the party of the future. Health care, job security, better schools, child development, welfare reform—Ron DeSantis of Arkansas Gov. Bill Clinton, launched lately by talked accounts of alleged marital infidelity, lists among his character strengths a belief in capital punishment. And—what do you know?—suddenly exposed as Senator Bob Barr of Nebraska and former senator Paul Tsongas of Massachusetts. Voters who seek their Democrats carefully, then, can look forward to decent medical coverage for themselves and death therapy for the criminally unkillable. Oh, Bruce New World.

Meanwhile, our President claims that the good old United States does, in fact, have a plan in his scheme for global perfection and proves the point by enrolling a tax cut for—precisely—the embattled middle class. On other middle-class matters, Bush is equally silent. Like his Democratic opponents, the conservative-led politicians cover the education, the youth of America, unemployment, and is well-known for endorsing the rehabilitation of moral rotters by means of the so-called "Vote Bush".

Candidates of both parties extremely address high-tech concerns, but it is impossible to shake the suspicion that they are practicing political cryptology—that by lavishing attention on the "good people" of America, candidates are signalling disdain for those who fail several tests of color, origin, income and outlook. Which is where the election then stands: should candidates neglect assistance and overseas competition. This is not policy but parity, and not balance.

History attests that a slick operator can win votes by winning of the electorate and neglecting the desire to see the country as a whole. He can do the system by playing and going in the accepted mode—by voting, in so many words, to return the country to its rightful owners and possibly ignoring those on the lower slope of society's bell curve.

In modern times, the Republican party has made significant progress through clever exploitation of the aforementioned tactic. No wonder Democrats have decided to try their luck. Romney Bush (Humphries prior to the nation's first primary election) has decided to play the middle class in every possible way. Our lives from these strange Democrats quote a lot regarding capital gains and lower taxes, and not much about suffering the loss of jobs of our society. The only idea is to play a safe card, to cover one's self out of style. Voters these days are "kind of the homeless, kind of poor people." Robert Kennedy of the Institute for Policy Studies said *The New York Times*. Voters are tired, candidates are tired, the President is tired, and, as a way, the country is tired, too. So sleep tight, those with beds and blankets. All others please observe silence so decent folks can get some rest.

# WAITING FOR GETTY

**THE PREMIER  
FACES CRITICISM  
THAT HIS NEW  
STANCE REDUCES  
ALBERTA'S  
BARGAINING POWER**

**A**lberta Premier Donald Getty's return this week from his annual winter vacation was anticipated as never before. In three weeks after he left for a golfing getaway in Palm Springs, Calif., in early January, his party shot—a startling attack on Canada's bilingual status—set off reverberations in Alberta and across the country. In his absence, Getty has been the target of sharply worded criticism from long-standing political adversaries and such nominal friends as his own cabinet and his predecessor, Peter Lougheed. When he returns to his desk, Getty may act quickly to counter both new divisions in his own government and persistent criticisms that his remarks have incited Alberta's secessionist powers in the federal-provincial negotiating table. Said Alberta New Democratic Party leader Roy McMeekin: "He's coming back to an absolute mess."

Getty ignited the controversy during a brief speech to a group of Edmonton businessmen on Jan. 9. Outlining what he said were his personal positions on a dozen constitutional issues, the Alberta Conservative argued that official bilingualism, which is entrenched in the Constitution Act, should be scrapped. He also stated that anything less than a full "Triple-E" Senate—elected, effective and with an equal number of representatives from each province—was unacceptable to Alberta. Polls show that many Albertans share those opinions. But at least one survey following Getty's speech revealed that most of those polled took a critical view of his remarks, with nearly two-thirds describing his comments as harmful to the national unity. Indeed, the speech shed shock waves through the country's political class—nowhere more forcefully than within Getty's own cabinet, which was not convinced before Getty delivered his remarks. As for



Getty during 1987 golf game, teaching out at Okanagan, then a vacation

Lougheed, he broke a self-imposed moratorium on political comment to publicly rebuke his former colleague, declaring that "official bilingualism... goes to the essence and core of Canada."

Because the Alberta legislature is not in session this week, Getty would at least be spared a harsh grilling during Question Period. He was due to attend a five-day cabinet meeting at the week's end, and to respond

on the national stage at the first ministers' economic conference in Ottawa on Feb. 29. But his agenda will undoubtedly be overclouded by demands for him to respond upon his controversial remarks.

Still, Getty appeared to reflect concerns that are broadly held in Alberta about the role of constitutional experts. Indeed, a poll conducted on Jan. 13 and 14 by the Winnipeg-based Angus Reid Group showed that support

for Getty's provincial Tories had jumped to 36 per cent at decided voters polled from 29 per cent the previous month, compared with 34 per cent for the opposition New Democrats and 27 for the Liberals. But the same survey suggested that Getty himself did not share that approval for one thing, 66 per cent of those polled said that they believed that Getty made his remarks only because he was "trying to improve his own political popularity by adopting Reform policies"—a reference to the populist Reform Party of Canada, which outpolls the

"It's definitely hurt the whole province."

Indeed, Getty's remarks throw doubt over where Alberta stands on some critical issues. That was evident when the parliamentary committee studying the federal proposals for a reformed Canadian Senate stopped in Edmonton on Jan. 23. Appearing before the committee, Getty's minister of intergovernmental affairs, Brian Rossman, attempted to skirt the bilingual controversy. But Rossman's vague responses angered another Alberta Tory, Jackman Macdonald Day, to tell the committee that Getty was right—that Albertans do view bilingualism as unnecessary and unfair. Those responses underscored the view of critics who said that Getty should have postponed his vacation in order to defend his position before the visiting parliamentarians. Getty's headline demand for a fully Triple-E Senate also set off storms at the national level. Ontario Premier Bob Rae, for one, promptly took an equally firm but diametrically opposed line, declaring that a "Triple-E" Senate was unacceptable to his province. And Federal Constitutional Affairs Minister Joe Clark called Getty's views as "likely to be achieved as a 'vagina tooth'."

But Getty's first task will be to smooth over the divisions that his speech opened in his own government. In the days following his address, Alberta cabinet ministers openly disagreed with one another. Health Minister Murray Bellomko said that Getty's remarks "seemed to divide us rather than pull us together." But Energy Minister Richard O'Brien vociferously defended Getty, saying "The premier stuck a cattle prod into the debate. I'm finally interested in constitutional issues." The Irving oil-set solidarity was restored at least in public, only after a tense meeting at which Getty's ministers apparently agreed to withhold further comment on the subject until his return.

Getty's remarks also sparked dissent among some grassroots Alberta Tories. At least two party constituency directors issued in their resignations as protest. One, Eugene Yuma, a director of the Edmonton Mill Woods Tory riding association and a member of the party for 25 years, bitterly accused Getty of political opportunism. Declared Yuma: "His [has] proven himself to be a spineless leader who has succumbed to the sway of Reform party, pro-Anglo-Saxon propaganda."

Meanwhile, the reverberations from Getty's controversial speech have continued. On Jan. 30, federal Official Languages Commissioner Victor Goldsboro delivered a luncheon speech to the same group that Getty addressed: "I want Canadians to know the truth," McIntyre or Goldsboro pointedly told his Reform audience in a spirited defense of bilingualism. "There is nothing in the Official Languages Act showing French down the streets of English-speaking Canada." Three weeks earlier, the Reformist had accused Getty warmly, but they went a step further with Goldsboro—they give him a standing ovation.

DANIEL ARNOLD with  
DON MURRAY in Edmonton

## BAMBI LOSES A BOND

An Ontario court judge ruled that U.S. fugitive Leonardo "Bambi" Biondino can be extradited to Mexico—either to complete a life sentence for the slaying of his former husband's ex-wife or to face a new trial. Biondino, who escaped from a Wisconsin prison in Canada in July, 1986, has sought extradition, claiming that he was innocent of the murder. But lawyers said that they would probably accept the extradition decision.

## PREPARING FOR SEPARATION

A panel of 15 constitutional scholars from Toronto's York University and the University of Toronto called for a national referendum to clarify constitutional changes. If Quebec clearly gains independence, panel members said, Canada's confederation separation has to end and that Canada should be well prepared to "reconstruct our own self-interest" in the negotiations, and that a sovereign Quebec's borders "should not necessarily be the borders of the current province."

## NATIVE JUSTICE

Manitoba Justice Minister James McCracken announced that the province is acting on dozens of recommendations made last August by a \$3-million inquiry into the treatment of natives by the provincial justice system. Among the reforms have been to review policies and allowing tribal representatives to deal with minor crimes. But McCracken said that the province could not establish a separate justice system—the agency's key recommendation—until Ottawa recognizes native right to self-government.

## NIKE SHOWN-UPS

Ballistic defense officials discovered 13 Sikhs, all men, hidden in a van as board a Polish container ship. Authorities charged two German men with smuggling illegal arms into Canada. The 13 Sikhs were applied for refugee status, said that they had paid \$70,000 each for a 10-day journey that took them by sea from India to Germany and then on to Halifax.

## VERDICT IN A SWIMMER'S DEATH

A Quebec judge found the driver of the car that struck and killed Olympic swimmer Victor Davis in suburban Montreal three years ago guilty of hit-and-run driving. Glen Graydon, 35, will be sentenced on March 18. Davis was the first Canadian swimmer who he killed over a chess board at the Queen during the 1982 Commonwealth Games, but later set a world record in the 200-m backstroke at the 1984 Olympics.

# A bridge to destiny

P.E.I.'s fixed link comes closer to reality

Island people desire their strength and uniqueness from being separate from the main land. A bridge would be a role for our island soul.

—Catherine Reid, co-chairman of special projects at the University of Prince Edward Island's Institute of Island Studies



Rainbow: If this goes ahead, there will be little reason to stay?

needed on Prince Edward Island's red sandstone-rimmed southwest shore, the tiny hamlet of Borden faces a direful choice. The village's economy depends on ferries whose regular departures link the island province to Cape Tormentine, N.B., visible in clear weather eight miles away across the Northumberland Strait. In all, more than 400 people from the surrounding area work either on the fleet of four vessels operated on the route by Maru Atlantic—a Crown corporation with headquarters in Moncton, N.B.—or at the company's Borden terminal that the shore may soon be multiplied if the federal government proceeds with a plan to replace them with a more prestigious, but more expensive, bridge. The outlook seems bleak. Mayor Arlene Robinson and local officials, who say that they fear that opening a bridge to the country's smallest province could mean the end of Borden as a ghost town. Declared Borden Mayor George Ramsey, who works as a supply supervisor for Marine Atlantic: "If this goes ahead, there will be little reason to stay here."

The fixed-link proposal has been a controversial issue in the region for more than a century. In the 1960s, the federal government actually drew up plans for a railroad bridge, tunnel and causeway between Prince Edward Island and the mainland. The proposals were subsequently abandoned because the project posed threats to shipping and appeared likely to be too costly. But the Ottawa-driven bid for a design for savings in the annual subsidy it pays to Marine Atlantic to maintain the ferry service, is poised to approve construction of a new bridge. Even Braman and Prince Edward Island's local work, which Prince Edward Island's Minister MacKay announced that the three

options by circulating pamphlets and holding public information meetings.

At the same time, the six-link group Friends of the Island is pressing for a referendum to allow Islanders to vote on the project after a developer and a design are finally selected (39 per cent of Islanders who voted at a January, 1988, referendum in favour of the tunnel and group spokesman Donald Stewart, a Charlottetown dentist, the group may seek a court injunction against the project. The anti-tunnel campaign recommends to June—six years of discussion of the island each year—where opponents have asked environmental groups to pressure the Canadian government to turn down the project.

But economic assembly is difficult. Under the terms of Prince Edward Island's entry into Confederation in 1873, Ottawa is constitutionally obliged to provide Islanders with a year-round transportation link to the mainland. Federal officials estimate that providing that link using the traditional ferries will cost Ottawa as much as \$1.4 billion over the next 30 years—a cost that the government is determined to reduce. To that end, Ottawa has offered to pay an equivalent amount to the developer and builder of a bridge to the mainland—up to a total of \$1.4 billion over a 30-year contract. Those payments are intended to replace the winning bidder for the tunnel construction cost of the bridge—estimated to be as high as \$250 million—plus financing costs. At the end of 30 years, the private venture in the project would continue to earn revenue from tolls, but Ottawa would be relieved of any further subsidy costs.

Rach of the three bidders for the contract has advanced its own blueprint. The Borden Bridge Co., which owns St. Francis Xavier bridge designer T. E. L. Inc. (Borden Bridge Co.), is proposing a bridge, a proposed to build a highway-level concrete bridge across the strait, with a raised section allowing larger vessels to pass underneath. A second bidder, P.E.I. Bridge Ltd., a company jointly owned by Toronto's Baring & Dreyer Ltd., which designs Terminal 3 at Toronto's Pearson International Airport, and a private investment company owned by the Borden family of Montreal, is proposing a similar structure. The third consortium, Strait Crossing Inc., with partners based in Calgary and Toronto, also wants to build a concrete bridge, but without the raised section that would prevent ship traffic through the strait.

In recent weeks, all three consortiums have been seeking support from private financiers for their bids. Indeed, at least one of the groups has approached Bay Street powerhouse Gordon Capital Corp. to underwrite a stock issue for the project.

Wherever they raise the required millions, all three bidders consortiums must make a decision on how to proceed to the federal government explaining how they plan to bankroll the project and what guarantees they can offer to ensure that the work is completed. Those financial statements may determine which of the three competing engineering plans Ottawa ultimately accepts, because the federal government is committed to selecting the one with the lowest overall price tag. There is one condition, however: federal officials have made it clear that they will not pay more than the anticipated \$1.4 billion that Ottawa expects to spend over the next 30 decades on ferry subsidies.

The plan has already survived one critical environmental report review. In the summer of 1980, a federally sponsored environmental assessment review panel concluded that the risks to nature posed by the project outweighed its potential benefits. In particular, panel members expressed concern that a permanent link across the Northumberland Strait would worsen the annual buildup of ice in the waterway, endangering the area's fishery and marine ecosystem. But in April, members of a second environmental panel, made up of experts in sea ice, concluded that the proposed bridge would have only a minor impact on ice buildup. And last week, federal Finance Minister Donald Macdonald signed out a privately financed fixed link as "the best that would be

possible considering" as a stimulant to the region's economic recovery.

Before Ottawa can sign a contract with a developer, the P.E.I. government also has to approve the proposal. Premier Joseph Ghisla supports the initiative in principle, as do Nova Scotia Premier Donald Cameron and New Brunswick Premier Frank McKenna. The Maritime leaders say that the 1,500 jobs created during construction of the link would help



their positions through the province.

But his part, Ghisla says that the province will approve the bridge if a list of 11 conditions—including assurance programs for displaced workers and compensation for businesses—can be met. "I expect that we will be able to negotiate in agreement on all of the necessary points."

If the bridge is built, federal government

officials say that it will provide more benefits for the Atlantic region. In addition to the jobs created during the construction of the bridge, the project's supporters maintain that the fixed link will deliver long-term benefits to the P.E.I. economy. For one thing, proponents contend that better access to the island will increase tourist traffic and revenue by 15 per cent each year. For another, they say that small manufacturers say that the fixed link

will improve their access to export markets. Declared Ghisla's Minister of Industry, Development and Trade, John L. A. Charbonneau, a Charlottetown lawyer: "The bridge will give business an opportunity to compete with the rest of the world."

Now, with the federal and provincial governments living up behind the fixed link, even the fiercest critics acknowledge that they are busy waging a losing battle. Said Stewart: "The only thing that will stop this project from proceeding is if Ottawa refuses to put enough cash on the table." For similar reasons, supporters of the proposed bridge in the mainland are sounding quietly confident. "The battle, I hope, is over," said James Larkin, the leader of Islanders for a Better Tomorrow, a pro-bridge lobby group. "I think we are ready to sign the peace treaty." He is right. A well-known local business leader says that he is up to Prince Edward Island's head politicians to decide whether to desist or, like the mythical Anne Shirley of Green Gables, to conclude that "It's a pretty good world after all. The bad things nearly always turn out either so much better than you think."

JOHN DEBONO in Charlottetown with DENISE MACDONALD in Toronto

## SUMMERSIDE'S SEX SCANDAL

Prince Edward Island usually plays host to its aspect crop of parties through the day part of Summerside—and the town's 18,000 residents are usually grateful for the firefighters that carry the crop to destruction from Gaspe to South America. The traffic provides local residents with a town that was devastated last year when the federal government that does the local armed forces base—said with a 1,300 jobs. But last week, the mostly black and white crews of the firefighters have been picking up more from island potatoes. The soldiers are being sent to about 30 of the town's teenage girls—some as young as 13 years old—with cash and luxury shops. And social workers say that some of the girls, nicknamed "potato-bait girls" by some approving local residents, have been driven to prostitution

because the local economy has failed their families over sexual abuse and they are desperate for money.

The town's local police have been asked to investigate the prostitution in the town's community. The girls and young women usually stay at the sailors after school at cottage hangouts near the wharf, where they drink together. Later, after dark, sometimes have left for the day, some of the girls slip away from the girls. The sailors, who are mostly paid, usually give the girls small amounts of cash or items such as jewelry and leather jackets as exchange for sex. Last week, a school bus was picked up by a police officer, who showed off a dozen girls in leather jackets and a school bag. The girls were taken to a shelter run by a social worker named Jean Galt. She said that the teenagers, who live in downtown Summerside, "We get to know some girls, even if we can't make out what they're saying because it's in some second language. They give me a 18 or 20 U.S. for a

accuse," she said. "One of the girls I met with was shorter than me, but much. We should have used a condom, but we weren't too caught at the time. I guess we'd had a few Jack Daniels and smokes."

Similar reports of experienced sex are spreading from the girls to the town's new men. But so far, the town's police have not been completely successful. On June 14, police took an girl, aged 13 to 16, into a police hospital and detained her overnight—but declined to be charged. And although it is illegal for an adult to have sexual relations with a minor in most cases, police have not charged any of the minors because none of the girls has had a complaint. For now, the traffic of girls to the docks down the signs of diminishing. Last week, a group of four girls, aged 13 to 16, C. had driven in light trucks and remained to be off of compassion on a Ungep-bus driver.

PAUL KAPLAN with BARBARA MACDONALD in Summerside



Job seekers at the unemployment office in Manchester foreboding and a public crisis in confidence

## WORLD

# FACING THE UNION

In Portland, a cross-gracious mob (well, of 8,000 in central New Hampshire, despite declared itself in bold, black lettering along both sides of Main Street, "For Rent" signs stashed empty shop windows, and the art deco marquee of the Regal Cinema advertised its only attraction: "6,500 square feet—Sale or Lease." Across the front of the J.J. Newberry Co., a 487-year-old department store, a giraffe-orange banner proclaimed: "Store closing sale! Everything must go!" reminded passersby that it, too, would expire in 24 hours—another casualty in a recession-ravaged state that up the hill in the Franklin Middle School, where a crowd had gathered to watch Pres-

## BUSH'S STATE OF THE UNION ADDRESS GETS A COOL RECEPTION IN RECESSION-TORN NEW HAMPSHIRE

ident George Bush's large-printed state of the union address last week as a giant television screen, the plaza took human form. As Bush borrowed his own rhetoric from last year's declaration of war against Iraq President Saddam Hussein, proclaiming that the recession "had not started," James Merrill, a retired author who reported, "I took his head in disgust and walked out," took his head in disgust and walked out of his speech—and I voted for him," he said. "But enough is enough. I can't see anything there that will help this town."

In a state where the Feb. 24 primary election will serve as the first referendum on Bush's economic blueprint, Merrill's verdict

echoed a similar outburst across the land. Bailed by the White House as the "defining event" of Bush's presidency, the book-length address at the packed House of Representatives meted left analysts deluging him to a cautious pragmatist committed to staying the course, offering a not-terrible mix of quick election-year fixes and longer-term outlooks—but still unable to articulate an overriding vision of a nation groping anxiously on the brink of a complex post-Cold War landscape.

In fact, the speech may have boomeranged on Bush, underlining his apparent inability to lead the country's economic and psychic wounds. As a *Washington Post* ABC TV News poll last week showed that seven out of 10 respondents still felt that he had not gone far enough to kick-start the stalled economy, he faced denials from Democratic presidential rivals who accused him of running against his own record. Sen. Iowa Senator Thomas Harkin in Franklin: "Mr. Bush, you've had four years—where have you been?"

For most Americans, the state of the union address, and Bush's \$1.79-trillion budget, which he unveiled the following day, seemed to be anticlimactic. After a carefully orchestrated campaign of private media briefings and reports previewing the President's chief proposals, including an unprecedented \$50-billion cut in defense spending over the next five years, the White House had in fact invoked that emotion. At the same time, a curious two-step by Bush's aides, alternately raising and lowering expectations before the address, appeared to indicate that the same new presidential team that choreographed its chairman's trip to Asia last month—and that is currently miscalculating his re-election campaign—is prone to political miscalculation.

As Bush and a half-dozen campaign surrogates fanned out over the country last week to sell his package to voters, a process scheduled to continue this week, the President himself set an embarrassingly tepid reception. Speaking before the Greater Philadelphia Chamber of Commerce two days after his address, he reiterated a belittlement of apparently sympathetic businessmen who offered only lukewarm support. And from coast to coast, editorial writers across the political spectrum criticized him for being, as one wrote, "not an anti-recession warrior but a thinker," and a leader who had missed his chance to reverse the nation's fate with even more sweeping military cuts. In Boston, Nobel Prize-winning economist and MIT faculty member the Massachusetts Institute of Technology termed Bush's eco-

nomic solutions "mostly preposterous house window dressing." Boston Mayor Raymond Flynn was less than complimentary. "Dismantle it," he said. "My President, where are the jobs?"

Most outcries were congressional Democrats, whose goodwill Bush needs to win approval for his package in this high-stakes election year. Emboldened by his plummeting popularity, many lawmakers' criticism of President for winking the same belated rhetorical flourish against them that he had launched last year against Iraq, complete with a provocative March 20 deadline for passing his proposals. House Leader Richard Gephardt's warning that his own party would "split" in its demands that the administration use its \$50 billion in savings from slashed Pentagon programs to provide some immediate economic relief, rather than to reinforce the deficit. But with the annual federal outlay estimated to reach a record \$459 billion by the end of the fiscal year on Sept. 30, White House budget director Richard Darman has so far refused to consider such a transfer.

Leon Panetta, the California Democrat who chairs the House budget committee, attacked Bush's mix of short-term tax cuts and increased expenditures, intended to swiftly give the middle class more spending money. He described the package as "the same snake and chicken, the same kind of logic that got us into the 1980's."

The President told Congress that he wants it to cut the capital gains tax, from the 28 per cent that Americans now pay on profits from the sale of assets, instead Bush's. "This time, at this hour, I cannot tell 'No' for as soon as I can," he said. But among his most controversial proposals were one to charge income tax reductions. It would lower automatic payroll deductions and, Bush said, pump another \$29 billion into the economy this year. But, critics quickly noted, that money already belongs to taxpayers. Bush's proposal would allow them to receive it now, rather than next year in the form of tax rebates.

Not a penny more likely to provoke a middle-class spending spree. According to accountants, an average middle person earning \$55,700 a year would only get an extra \$9.90 a week in his paycheck after the Massachusetts lawyer Paul Grogan, a Democrat, "What's that going to buy? A couple of loaves of bread?" The guy is totally out of touch."

Still, others hailed Bush's attempts to stimulate the stagnant real estate industry with a proposed \$5.8-billion for first-time home buyers and a provision to allow Americans to



Bush delivering the state of the union address last week

## World Notes

### A SUMMIT BOYCOTT

Palestinian delegates boycotted a Moscow summit on Middle East issues after the boycott of the annual summit conference in the United States and Russia, reported Israel's refusal to allow Palestinians from East Jerusalem and the Occupied Territories to join the talks. Still, delegates from 16 Arab states participated in the two-day summit as regional arms control, economic development, education and water, cultural projects and health care were discussed. The summit was held in Moscow this month between Israel and its Arab neighbors.

### FUSION IN FRANCE

Under pressure from outraged opposition leaders, President Jacques Chirac forced the resignation of four senior officials who advised a radical Palestinian leader after his medical treatment. George Hishabi, 56, left Paris in a small plane for Tunisia to begin after spending three days in a hospital. Doctors declared him unfit to undergo interrogation by a French judge investigating terrorist activities in France. Hishabi is leader of the Popular Front for the Liberation of Palestine, which was responsible for a series of airline hijackings in the 1960s and 1970s.

### A WARNING TO THE RIGHT

After circulating racial literature, South African Minister of Education, Mr. Nkomo Eugene Terre'Blanche and one of his top aides is an expert warning to right-wing militants. The 10 men were charged with public relations after a riot in Terre'Blanche's home town of Verduresburg last August left three people dead.

### CLEARING THE AIR

The Dallas city council voted in favor of opening all of its police files on the 1963 assassination of President John F. Kennedy. City Councilman Donnell Green said that he wanted to make the files public after seeing Oliver Stone's movie *JFK*, which contends that there was a broad government conspiracy to kill Kennedy. At issue are about 3,500 classified papers, including documents on Lee Harvey Oswald.

### HAUGHTY BOWS OUT

Irish Prime Minister Charles Haughey, 68, announced that he would resign this week after losing the country for most of the past decade. Haughey, who has been in power since a 1982 scandal in which government officials tried to bribe the press of two Dublin journalists to try to track cabinet leaks, Haughey's Progressive Democratic coalition partners had threatened to withdraw unless he stepped down.

use a portion of civilian retirement savings funds without penalty for home down payments in New Hampshire, where the collapse of the real estate boom precipitated the state's economic tailspin, James DeSève, manager of government relations for the New Hampshire Association of Realtors, predicted that the province could now work in reverse. "Finally," he said, "we're rebalancing."

Moskalew, in Quebec City, Finance Minister Donald Mackenzie said that he saw a glimmer of hope for provincial lumber industries if Bush succeeds in jump-starting U.S. housing construction. As Mackenzie's point of view, any improvement in Washington's economic health substantially revives Ottawa's prospects, as a result of what one expert called the "free-rider clause." As Bernard White, an economics professor at Toronto's York University, put it, "If the U.S. economy picks up, it will mean that the Canadian economy will also rebound."

But in Ottawa, Prime Minister Brian Mulroney vowed to resist mounting political pressure to stimulate the Canadian economy with increased spending. Mulroney also indicated that he is reluctant to allow taxpayers to cash in their registered retirement savings plans, without penalty, to buy a house. His objection was the acute as that of many U.S. critics: the measure could have the negative effect of discouraging savings for the future.

And across the Quebec border in Montreal, where the unemployment rate has soared to more than one per cent since 1982 in 1984, Mayor Bernard Bibeau, himself a party boss in a real estate agency, expressed agreement. She indicated claims that Bush's measures could rescuance her dormant industry. "People here are beyond all that," she said. "Who even has an individual retirement account? Not these poor years ago."

As well, Bush offered little respite to the nation's poor. While increasing funding for such high-profile programs as Head Start—a preschool educational program for the disadvantaged—and children's nutrition, his budget's line print revealed cuts in home-heating assistance, housing for the elderly and the disabled, and subsidies for urban transit. Also tucked beneath the lines of the agriculture department's budget was an ominous reduction: by the end of the year, an estimated 25.4 million Americans will be dependent on food stamps—a increase of 3.4 million from October.

Presidentially, Bush's boldest economic act—new drug discounts for not being radical enough. Many Democrats, including Iowa Sen-

ator Harkin, have called on him to acknowledge the death of what Bush reportedly referred to last week as "imperial communism," by slashing military spending by \$128 billion—more the amount the President has called for. In Washington, retired naval captain James Bush, associate director of the independent Center for Defense Information, claimed that the White House had failed to realize the nation's military role in the new world order, simply lowering expenses from troop strengths and weapons blueprints instead of designing a completely new fighting force. Pentagon plans now call for shrinking the military rolls from the current 2.1 million to 1.6 million—will more than double the manpower involved in Operation Desert Storm, with a potentially huge

cost to this economy would be a single compared to what would happen if the shogun closed down."

On the morning after Bush's state of the union address, he faced Democratic challenger, Arkansas Gov. Wilson (D) Clinton, newly cohabitee after his battle with a 100-hour crowd on Portsmouth's Congress Street. There, Clinton castigating Bush for diverting what he called "the sweat of both worlds on defense cuts"—too little in budgetary windfalls and "too little for what these servicemen and women are going to do when they come home."

For Tony Bryce, a security guard standing watch at the gate of Pease Airbase, Clinton's



Clinton and wife Hillary: a tabloid-regarded sex scandal and a newly cohabitee challenger

increase in the unemployment rolls. But James Bush "It doesn't really reflect any change in the world situation."

Still, the defense cutbacks cut both ways. Nowhere was there more hand-to-mouth than in New Hampshire, which has already laid down state. In March, the Pentagon closed Pease Air Force Base, on the outskirts of Portsmouth, shipping out its contingent of 7,000 troops and dependents to other bases and, in one stroke, eliminating 100 local civilian jobs. Portsmouth's Chamber of Commerce estimates that the loss has cost the city as much as \$3.38 million in lost revenue a week—a shock to a city that had sailed through the nation's two most recent recessions largely unscathed. Now, with Bush's cancellation of the Seawolf nuclear attack submarine program, the Portsmouth Naval Shipyard is leading a fight to forestall the possible closing of the city's naval yards, where another 7,000 workers could lose their jobs. And city editor Laurence Poirer: "Pease was a disaster. But what it

was had a special ring. As the teenage son of an air force master sergeant, I grew up at Pease from 1973 to 1977. And now, having left the army after three years' service, he has returned there to patrol its abandoned 4,365 acres each night in the eerie darkness. His old housing units are derelict, and the fields where the Strategic Air Command once stored its weapons have been reclaimed by moose, deer and opossums. In the once-prosperous city he came home to. I see how it had done those different "moral" jobs, as he calls them, to make each man. And he marvels at politicians and presidents who do not take into account that the workers on a balance sheet inevitably wear a human face. "All these guys are going to be getting out of the service and there's going to be nothing for them," he said. "It's just going to increase the homeless situation—and nobody who says it isn't, well, I say they're all of it."

MARCE McDONALD in Franklin  
and GLEN ALLEN in Ottawa

# What?

## Test your development IQ! Question 1

Foster Parents Plan is (two correct answers):

- a Canadian adoption agency
- an organization which helps orphans overseas
- a child sponsorship organization
- a relief agency
- an international human development agency

Before you check your answers below, here's another question to think about. Imagine being faced by a sick or deprived child on one hand, and polluted water that was jeopardizing an entire village on the other. If you could help only one of the two—which would it be? Would the compassion and accountability of helping one-to-one win out, or would concern for the greater impact of pollution take precedence? It's a difficult choice. But what if by reaching out to one, you were helping both?

What if, by sponsoring one child, you were enabling a family and community to work toward alleviating their problems and brightening their future? There is so much need in the developing world—and somewhere too, a child who is waiting for you. We have the solutions—all we need is your support to make them work. What can you do? Call or write to begin making a difference today.



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## THE UNITED NATIONS

## The dangers of a new era

Boris Yeltsin takes the world stage

With his country on the verge of economic collapse, Boris Yeltsin made a virtue of necessity. When President George Bush proposed in his State of the Union address last week that the United States and the former republics of the Soviet Union scrap all their mutually-wanted long-term strategic nuclear treaties, the Russian president responded with an even briefer plan. Addressing the United Nations Security Council, he also called on Washington to replace its Strategic Defense Initiative with a global, space-based anti-missile system. Better known as Star Wars, the U.S. system was championed by Bush's predecessor, Ronald Reagan, to counter the threat from what he once called the "Evil Empire." Now, that empire has fallen. And its pragmatic inheritor, Yeltsin, appears eager to return Cold War tensions to peace-time status. He declared that the money saved from nuclear reductions could be devoted to pay for economic reconstruction in the new Commonwealth of Independent States "Shangai," he added in his speech, "translates the United States and the West not as mere partners, but rather as allies."

Yeltsin was speaking at an extraordinary Security Council summit called to assess the body's role in the post-Cold Wars era. It was the first time that government leaders of all five of the council's permanent members met at its headquarters along with leaders and foreign ministers of the 10 non-permanent members. And in that formal declaration, council members issued broad guidelines for the UN's new role, including a call to strengthen peacekeeping and arms-control efforts. The following day, Yeltsin's first foreign trip, the Russian leader met with Bush at Camp David, the presidential retreat in Maryland. He then flew to Ottawa for a working dinner with Prime Minister Brian Mulroney—the first meeting—what the Russian Affairs office described as "a getting-to-know-you session."

Mulroney, like most of his counterparts in Europe and Britain, has declined to make any sweeping pledges of economic aid, but, during their meeting, Mulroney was categorical in the Russian leader to buy more Canadian wheat. And said that Mulroney is anxious to try to compensate for the loss of

what used to be a lucrative grain market in the old Soviet Union.

At Camp David, Yeltsin and Bush agreed a declaration recognizing the new "friendship" between their two nations. They also discussed Bush's proposal to limit the number of warheads on long-range nuclear weapons to between 4,500 and 5,000 for each side—far less than the level established in the Strategic Arms Reduction Treaty that Bush and then-Soviet President Mikhail Gorbachev signed in July.



Yeltsin at UN Security Council addressing the United States and the West as allies

1991. After they talk, Bush and Yeltsin "valued" Yeltsin's proposal to cut the strategic armaments even further, to no more than 2,500 warheads each. He added that U.S. Secretary of State James Baker would fly to Moscow later this month to pursue arms-control talks. The two leaders also agreed to exchange visits later this year.

Still, some analysts criticized Yeltsin's proposal for an anti-missile system that would combine American and Russian technology to create a so-called Global Peace Shield. Retired Admiral Eugene Cernik, deputy director of the Washington-based Center for Defense Information, called it "a stupid waste of the world's resources when the need is for development of

the world's economies." But Cernik acknowledged Yeltsin's efforts to act as a "co-operative member of the world community."

In fact, much of the attention at the Security Council meeting focused on Yeltsin's international appearance as less to the defense Soviet empire. Although White House officials formally discussed the Russian president as a radical populist with no political future, his reputation among Western leaders has risen dramatically since August 1991. Then, during a hard-line coup attempt against Gorbachev, Yeltsin boldly assumed a task to end his nation's defunct democracy. And since Gorbachev resigned as Soviet president last December and Yeltsin moved into the Kremlin, the Russian leader has sought repeatedly to reassure the West about the security of the former Soviet's massive nuclear arsenal.

To that end, Yeltsin earlier last week abruptly canceled meetings with a visiting Japanese cabinet minister and disappeared from public view for 24 hours, before re-emerging aboard a

ship in the Black Sea Fleet, which both Russia and Ukraine claim. Yeltsin's visit appears to have been an effort to underscore Russia's claim to the former Soviet navy. "Yeltsin," said a senior U.S. official, "wanted to show that the treaty and his treaty with him as the nuclear power and that he has full control of the old Soviet forces."

Speaking in Moscow after returning from the Black Sea, Yeltsin announced that Russia had already taken major steps to cut its nuclear arsenal. He declared that 680 strategic land- and sea-based missiles carrying 1,250 warheads had been taken out of service. As well, he said that 130 silos containing intercontinental missiles had been "liquidated" or were being

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#### WORLD

prepared for liquidation." Later, Yelkin said that all short-range tactical nuclear weapons in Kazakhstan, Belarus and Ukraine would be moved to Russia by July 1. That followed its earlier announcement that Russian-controlled nuclear missiles would no longer be targeted on U.S. cities.

But Yelkin still faces potentially dangerous fallout from the last decade arms race. Western leaders have expressed concerns that some of the economically devastated former republics may begin selling nuclear weapons and technology. "The hunger for hard currency," American Central Intelligence Agency director Robert Gates recently told a congressional committee, "may well take precedence over proliferation concerns."

In one incident in October, police in northern Italy confiscated a sample of plutonium from a Swiss businessman. A month later, Swiss police seized 66 lb. of uranium. An Italian public prosecutor revealed that U.S. experts who examined the uranium and plutonium, which can be used for making nuclear bombs, had determined that they originated in the Soviet Union. Meanwhile, the German magazine *Stern* reported last week that Lithuanian diplomats had offered Sovietists at Moscow's Kartvelsky Institute \$115,000 a year to work on a nuclear project. According to Viktor Medvedev, the director of Russia's nuclear arms program, about 2,000 to 3,000 former Soviet scientists possess information for producing nuclear weapons. And although Medvedev last week denied that any had signed contracts for work abroad, the prospect of a nuclear brain drain to countries hostile to the West has prompted widespread concern. NATO Secretary General Manfred Wörner called it a "real danger," and he urged Western nations to offer the scientists jobs or cash to prevent them from being tempted.

Meanwhile, in a U.S. television interview last week, Yelkin said that many of Russia's nuclear-weapon experts earn as little as 1,000 rubles (\$10) a month. He pledged to increase their wages to 5,000 rubles and to help them find civilian work. Said Yelkin: "I think this is going to calm peoples' minds." After meeting at Camp David, Yelkin said that he and Bush had also discussed creating a research center to employ many of the nuclear specialists.

Still, Yelkin warned that increasing discontent among citizens of the former Soviet Union, struggling with ever harsher economic conditions, could be dangerous. At a news conference after the Security Council session, Yelkin complained that industrialized countries have not contributed enough to ease the economic crisis. "Today, Russia is facing the last opportunity to defeat democracy," he said. If Western countries do not do more to help, he added, "the dictators will rise and, once again, there will be mass repression, and once again you will have the arms race." At the dawn of the post-Cold War era, that issue provided a powerful reminder to Western leaders of the tragedy of the new, peaceful world order.

MARY KEMETH with ANATOLY RACKENKZE  
in New York City

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A crew at Canadian Forces Base Thunder loading aid for Ukraine: an international effort

## Letter from Kiev

# A mission of mercy

On the wind-swept tarmac of Borzhai International Airport last week, the often chaotic process of international aid became the simple act of some people helping others. There, 40 km north of the Ukrainian capital of Kiev, Canadian military personnel wearing blue baseball caps and Ukrainian Red Cross members in red hats worked side by side in the finger-stretching cold of -4° C temperatures. The work covers spots hours encompassing boats containing medicines, sutures and surgical gloves from the cargo bay of a Canadian armed forces Boeing 707 jet into seven battered blue trucks. The Canadian contingent is a weekly/long 46-outfit aid program by the Canadian Red Cross to bring a total of nearly 300 tons of basic medical supplies to hospitals in Ukraine, Russia, the Baltic states and Armenia. Said Maj. Thomas Adams, who piloted the plane on the nine-hour journey between Gander, Nfld., and Kiev. "At this time last year, I was

being a fuel tanker during the Gulf War. I would much rather be doing this." Last week's snowy flight by the red-and-white cargo plane was part of a growing international effort to help former Soviet republics through a winter of widespread shortages.

The plane's arrival dovetailed neatly with a two-day visit to Ukraine by Canadian Affairs Minister Barbara McDougall, who arrived in Kiev to establish formal diplomatic relations with newly independent Ukraine. Anticipatory of McDougall's arrival in the driving wind, aid went to the airport. There, accompanied by Canada's charge d'affaires in Kiev, Nestor Popowich, a career diplomat from Brandon, Man., she greeted the 15 military personnel and eight civilians who had journeyed into the plane filled with a year's supply of medical goods for nine hospitals. Ottawa paid for their supplies and their transport to Ukraine, but it was up to the Red Cross, Ukrainians and Canadians officials alike, to ensure that the

aid did not end up in local black markets. Said Canadian John Galka, the program coordinator: "There is a lot of debate here as to how we can best aid, how much is needed and how much you steal." But he added, "No one argues about the need for medical supplies."

The Canadians had to overcome numerous obstacles on their mission. For one thing, a forecast of bad weather threatened the Thunder, Ontario-based plane, to refuel in Gander instead of its planned stopover at Canadian Forces Base Lehr in Germany. In Gander, it was on a rough fuel for the 3,000-mile flight to Kiev, the narrowest had to unload two of the 10 medical supplies. Galka said that those packages were loaded on a future flight. But with a smaller cargo last week, Red Cross organizers had to juggle their planned efforts to prevent representatives from hospitals outside Kiev retaining loose empty-handed.

There were other snags that had to be overcome, as well. The way to bridge the 15-foot gap between the 707's cargo bay and the cargo-lifted truck below was to use a small vehicle equipped with a hydraulic lift that normally loads trucks into passenger planes. Progress was slow. And, as a result, some boxes bearing warnings that the value outside made should be stored in temperatures ranging from 20° C to 25° C sat in the cold for several hours. Said Galka:

"The solution should be OK. But next time, we will have to look into getting heated trucks."

As Galka grappled with those problems, others were busy promoting personal ties between Canada and Ukraine. Lt. Col. Tadeo (Terry) Popowich was in that group. Popowich usually works in the department of natural defence headquarters in Ottawa. But his fancy in Ukrainians proved him a spot on the aid flight. As he disembarked, 44-year-old Popowich expressed the hope that he would have time to meet with relatives during the crew's 24-hour stopover in Kiev. His father, who died eight years ago, last saw him when he left Ukraine in 1937. Said Popowich: "I sent a telegram to one of my uncles, but he lives 400 km from Kiev. I brought a bottle of cognac to celebrate not in case." Three hours later, as the afternoon light began to fade over the nearly loaded trucks, Popowich learned that two of his uncles and a son had arrived at the airport—bringing three bottles of vodka for the family reunion.

As Popowich left for that meeting, the seven trucks, each wrapped in by Red Cross organizers, bounced over the potholed road leading out of the airport and down packed off to their assigned hospitals. One contingent of Canadians accompanied a shipment bound for Children's Hospital No. 1 on the northwest outskirts of Kiev. There, an headless smithy scoured the supplies in a kind storehouse, Svetlana Yakubenko, the hospital's senior doctor, gave a brief welcoming speech to the mission. Yakubenko, a strong-looking woman who wore her blood hair in a tight bun, thanked Canada for its help at a simple, hearty dinner that included meat-filled pies and cheese-topped pork cutlets.

Behind Yakubenko's welcoming words was a stark contrast of wealth. She is 52 million people, in a country rich in natural resources and landless, but has been reduced to seeking international charity. "I hope this will be the last we see here soon," Yakubenko said.

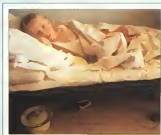
Later, during a break from the hospital's daily life, he said, he explained that the Canadian aid, although urgently needed, would have little effect on the long-term functioning of the institution where 321

staff members treat 600 children. "We will keep it as an emergency stock," said Yakubenko. "But one of our biggest problems here is a shortage of antibiotics. Of the same boxes we received, two of them were damaged on the way here and cannot be used." Each of the five boxes that remained contained enough antibiotics for three children during a 10-day course of treatment.

According to Yakubenko and other officials, 70 per cent of Ukraine's medical supplies now come from abroad—suits schoolchildren getting too poorly for scarlet drugs and equipment. In Ukraine and, indeed, across the entire former Soviet Union, domestic production of pharmaceutical products steadily declined during the country's collapse to about one-third of the amount needed each year.

The origins of the current medicine shortage go back to Soviet domination of Eastern Europe after the Second World War. Nikolai Ivan Burdakov, who now served as the chairman of a public-health committee in the now-defunct Soviet legislature, "There exists an intention to update the pharmaceutical industry since medicine was applied to the Soviet Union within the framework of [Eastern] Bloc co-operation programs." He added: "We imported not only complicated preparations, but even the most simple ones. It has reached the point where we buy pure salt and distilled water abroad."

The effects of that failed policy are clearly visible in Children's Hospital No. 1, in works where glass doors are decorated with brightly colored drawings of rabbits and birds, children patiently await medical care that in many cases depends entirely on the availability of needed drugs. Myra Khrypina, 15, who had already spent one week in the hospital for treatment of a congenital varicose vein condition, could only sleep when staid long being expected to be there. Said Alexander Burdakov, the director of the hospital's diagnostic department: "Children who might normally be treated and released in 10 days sometimes



Young patient in Moscow hospital: shortages of medicines

have to wait 20 days or more," added Yakubenko. "My children have died because of those shortages, but it is a difficult situation."

In that regard, the Red Cross's Galka acknowledged that the scheduled 14 plane loads of medical supplies from Canada will be quickly swallowed up by the immense needs of the former Soviet Union. "Obviously, this is not going to solve the problem in its entirety," he said. "But we think that we can handle the flow that we have currently." Essentially, that means focusing on emergency cases, children's hospitals and the elderly, dividing supplies into individual packages that can each fill the basic needs of a 50-bed unit for one year. But as Galka began gathering future drug orders from Siberia to Armenia, he is also reorganizing himself to do battle against aid thieves.

During the past year, authorities across the former Soviet Union launched 67 criminal cases involving theft of humanitarian aid. And although officials in the 15 former republics agree that most of the aid reaches its intended recipients, they acknowledge that vast quantities simply disappear during transit. Galka says that he is determined not to let that happen to aid supplies. "We are going to do our best to get this aid to its proper destination," he said. For aid people across the former Soviet Union, that was a welcome promise.

MALCOLM GRAHAM in Kiev



# CANADIAN, CLEARLY

**D**ouglas Mason whistles cheerfully as he strides through a 5th box near his desk on the 7th floor of a downtown Vancouver office building. "I'm involved in 10 companies, seven of them public," declared the 44-year-old entrepreneur, searching for several of his many business cards. "I'm in dry cleaning, men's clothing, advertising, two resource companies, a gold company, real estate development, sewage treatment and hot tubs." Mason's straggled baggy pants and his comments as he reflects on his checked 25-year business career. "You had some losers," he admits coolly. "But you only get your monster sons if you keep taking them." In fact, Mason's latest venture is a winner by any measure: a two-year-old Vancouver-based company that has emerged as one of the world's fastest-growing producers of bottled water.

Clearly Canadian Beverage Corp., which Mason launched in 1990, has succeeded largely on the strength of an active marketing campaign that targets young, health-conscious consumers, primarily in the United States. Its main product is a carbonated, mineral-rich drink available as a six-pack. To distinguish it from other carbonated drinks, Clearly Canadian is sold as an exclusive New-Testament bottle, and the company's advertising features scenes of British Columbia's unspoiled Rocky Mountains. Aided by those promotional efforts, Clearly Canadian last year vaulted from 18th place to first in sales among lightly flavored beverages in North America. The company sold 21 million cases, each containing two dozen 355 ml. bottles. Its stock, which traded as the Vancouver Stock Exchange as low as \$4 in early 1991, made 150 buyers as high as \$24, peaked at \$28.25 for a record total share value of \$228 million. Mason himself controls 600,000 shares, worth about \$14.4 million. "I originally planned to make a million dollars," he says. "But the growth has just been phenomenal. That's what I love to do: start something and watch it grow."

Clearly Canadian grew out of Mason's early attraction to the grocery-store business. When he was 19, the Vancouver native turned down a gymnastics scholarship at the University of British Columbia to concentrate on making

## VANCOUVER ENTREPRENEUR DOUGLAS MASON HAS A 'MONSTER WIN'—WITH BOTTLED WATER

money. "I was working at a service station, teaching gymnastics and working at a recreation center," he recalls. "I got another job as a grocery clerk and decided to enter business." In 1988, Mason joined Vancouver's infamous Jan Potvin's food-retailing division, where he worked for nine years. "I have a tremendous respect for the man, but I got tired of making money for the Potvin Group," Mason laughs. "So I struck out on my own."

In 1979, Mason swapped an offer—"You'll get my salary and 30% of the company"—to join a firm with the Canadian distribution rights to Maclean's, a tabloid now in Texas. Later, he managed the Canadian franchise of a California hot-tub company, acquired a house beer-brewing company and dabbled in real estate development. "I always managed to make \$10,000 a month," he says. And throughout the 1980s, he invested in shares on the New York Stock Exchange. "I had a nice introduction as one of the early contributors to International Corona. I got in at \$0.20 and out at \$15 in 1984," he recalls, and thought, "What an easy place to do this." He added, "Of course, those shares are now worth about \$200 each with splits and options. I also lost \$10 million in the crash of 1987. But you can only have as many toys."

Among the "toys" in Mason's collection are a white 1988 Rolls Royce Corniche and a black Mercedes 500-sec, both parked in the garage of his West Vancouver home. Mason abhors the glass-and-concrete structure, which boasts a spectacular view of Burrard Inlet, with Ceria, his wife of five months, who owns a travel business. Mason's easy-going, easy-going 49-year-old son



Clearly Canadian bottles being packaged in Mississauga, Ont.: "phenomenal"

established him to doing off his taxes—including the \$2.5 million he reported he lost last year in a North American supermarket deal that soured for lack of additional financing—and focus on opportunities. In 1984, he became frustrated by, as he puts it, "the amount of shelf space in grocery stores devoted to daisies and bottled water." He decided to start his own water company, and began seeking investors. A broker then put him in touch with an existing beverage company that was looking for management expertise. That company—J&J Industries—had the Canadian rights to Jolt Cola, a drink advertised as having "100% sugar and twice the caffeine" of its better-known competitors. After selling J&J in 1990, Mason launched Clearly Canadian.

Originally, Mason said, he intended to market an alternative to Perrier, a French mineral water. "But our research showed that the soft drink market was 4,000 times the size of the water market," he added. "I thought, 'Why not have a combination? We'll have a mineral-water drink, but sweeter it.'"

Clearly Canadian actually has little in common with most mineral waters. Along with sugar, it contains sodium benzoate—an additive that Mason says is required by Canadian law as a preservative for that concentrate. Packaged in 18-ounce plastic bottles, the product sells for \$1.25 in some Canadian stores—about 50 cents more than a typical canned soft drink. Sold Glen Perrier, the company's chief operating officer. "We have created a white-tablecloth profile for Clearly Canadian."

Still, confusion has arisen about the product's contents. Last year, one of the firms that financed Mason's venture sent a letter to stockholders which claimed that the beverage "springs from virgin glass wells deep in the Canadian wilderness." In fact, the product is bottled using soft water from British Columbia and Thonon, Que., 80 km north of Toronto. Rosemary says that the company obtained a court order to stop distribution of the letter. He

added that, as long as the advertisement made clear that Ontario soft water is mineral water, he found the mineral content is too low to meet U.S. and Canadian labeling requirements.

Mason says that he has received applications from potential distributors in 20 countries. For now, however, Clearly Canadian plans to continue focusing on the United States, where consumers typically buy twice as much soft drinks per capita as Canadians. Last year, the company earned \$6.9 million on revenues of \$71.4 million. Declared Mason: "We want to be one of the Top 10 soft-drink companies in America. We think we can do that by 1993." Gazing out of his office, Mason smiled again. "I'm happy to have taken care of my wife's and my security," he said. "And I love to have the rest of my energies out there, because I love the action." And it does not hurt to have the occasional member who has Clearly Canadian.

HAL QUINN in Vancouver

## Business Notes

### BOUGHT HIGH, SOLD LOW

Ontario's New Democratic government, whose members in opposition advocated public control of key resource sectors, announced that it will sell the province's 25-year-old mines in energy giant Suncor Inc. and use the proceeds to help reduce the deficit. Analysts estimate that the province's 13.9 million shares will sell for about \$348 million—less than half the \$600 million that previous governments spent to conclude the highly controversial deal.

### BIG DROP SPURS BIG JUMP

For the first time in five weeks, the Bank of Canada increased the bank rate, from 7.0 per cent to 7.25 per cent, to stabilize the Canadian dollar. The move, which has been widely expected in the previous week to 94.95 cents (U.S.), by week's end, the dollar had risen to 95.14 cents.

### UP FROM THE ASHES

Shareholders and creditors of Canopus Corp., once a multimillion-dollar real estate empire, approved a sweeping reorganization plan that leaves the company, renamed Canopus Corp., as a small developer with most of its holdings in the Ottawa area.

### COURT BATTLE DROPPED

Citing the need for labor peace, Le Corail du Québec, the largest employers' group in Québec, dropped a 13-year court battle over the province's 1976 labor legislation that bans the use of replacement workers during a strike or lockout. In Ontario, the business community has denounced Premier Bob Rae's proposal to extend similar legislation, claiming that it will add to the province's economic problems.

### SHOPPING FOR A FUTURE

R.H. Macy & Co. Inc., the New York City-based department-store chain, filed for protection from its creditors under U.S. bankruptcy laws. Analysts said that Macy's was a victim of the type of leveraged buyout that was popular in the 1980s, when its management accumulated \$41 billion in debt by taking the company private.

### MORE TURBULENCE

Trans World Airlines, Inc., became the sixth major U.S. airline to file for protection from its creditors under U.S. bankruptcy laws. Only two of those troubled carriers, Continental and America West, are still operating. While Eastern, Pan Am and Midway have used Chapter 11 to get a fresh start, TWA's 7th filing offers a glimpse of a dire financial future.

# How To Beat Hard Times

**F**ortune-telling, once a favored technique for correcting a troubled economy, is out of fashion. That disappeared in the 1970s. A soft landing from the downturned economic spiral now is out of the question. That was last year's forecast—that Canada would come to earth, chastened but without long-term damage, from the recession that gripped the country in the spring of 1980. The hope was based on what proved to be an aberrant surge of production last spring. "We're out of the recession now," Prime Minister Brian Mulroney declared in July. But recovery was to be neither quick nor soft under a regimen that seeks to transform the entire economic system. It aims to reduce government, strip away state supports from private enterprise and let the freest survivors rebuild an economy that is leaner, more competitive and—the ultimate goal—richer for all.

Now, amid mass unemployment and business shutdowns after almost two years of decline, there is pressure within the Mulroney government for a retreat from its master plan, even from within the conservative constituency

## THE RECESSION PRESENTS CANADIANS WITH HARD CHOICES

last week. "It is not as the mood for either higher deficits or higher taxes." Even a recovery plan made in Washington—often a model for Ottawa—involved a cool rejection from Mulroney, who said that spending money would not end the recession. President George Bush announced plans to speed up spending, provide some tax breaks and expand unemployment benefits. Those measures were widely perceived as being both part of Bush's campaign to win reelection in November and, perhaps, a way to fire-start recovery from a recession that began about six months before that Canada's slump which his advisers now predict will be over by summer.

If the White House advisers are right, their prediction of an American recovery offers some comfort to Canada, and to the Mulroney government. Although Canada's recession is home-made, an American recovery may help the closely interlinked Canadian economy to pick back from the brink of a full-scale depression. And Mulroney need not face his electorate for at least a full year after 1983—and his economic management—as he tests the fall.

**Stagflation** Bush's approach is a case in point, with earlier times, as is the U.S. recession. Two decades not more ago, when the overriding goal of economic management was full employment, economists held that tamping up trouble spots in timely fashion could forestall a serious breakdown into economic stagnation or inflation. But cutting back at the same time brought stagflation, a phenomenon as the 1970s and especially during the early 1980s recession.

The 1970s was a decade when individualism was so rampant. Governments sought to persuade business and labor to cooperate—with concern a last resort—in tamping the spiral of incomes and prices. Faith in "economic policy" techniques

that has promoted his economic revolution from its inception in 1984. The proposed measures range from slowing or eliminating public works projects to tax cuts that encourage consumers to spend more—techniques used by governments of governments to jolt the economy out of a slump. Others, including some allies of Ottawa—a constancy that has revolted the government's policy in general—include: raising Ottawa, and the country, to stand fast with the long-term plan. "The country," asserted Finance Minister Donald Macdonald, "is not associated a further squeeze on spending

helped Pierre Trudeau's Liberals beat Robert Stanfield's Conservatives in the 1974 election. Stanfield called for wage and price controls. Trudeau promised to "wrestle inflation to the ground" by methods less austere than telling wage-earners that, in his words, "Zip—po! in income!" But Trudeau's government approved Joseph Plummer and Jean-Luc Pigeon's Anti-Inflation Board and, finally, used hyperinflation and an imminent recession in the early 1980s, the "tax and fire" slogan—wage-per-cent minimum raise this year, five per cent next.

In contrast to fire-fighting approaches, this is the age of long-term economic, when the instruments of economic budgets, high taxes, costly credit, pay freezes, privatization and the deregulation of business and trade continue to shock the population into new directions. Deficit and debt are dirty words. So are John Maynard Keynes, the name of the English economist who, in the depths of the Great Depression in the 1930s, began persuading governments that, even in capital short democracies, the economy commands the community at large and the healthcare economy is one that, even if deficits result, is managed to maintain full employment.

Keynes also made it clear that the process of economic—even if that means refraining from government management—is political. People depressed by a depression, he warned in 1933, "may overturn the remnants of capitalism and substitute civilization itself in their attempts to satisfy desperately the overwhelming needs of the individual."

The rebellion against Keynes, debt and big government began in Margaret Thatcher's Britain in 1979, in Ronald Reagan's America two years later and in Brian Mulroney's Canada in 1984. When Reagan took over the White House in 1981, his aides and advisers (celebrated by winning medals bearing the likeness of Adam Smith, the 18th-century Scottish economist who argued that if market forces were allowed to operate without state intervention, an "invisible hand" would guide self-interest for the well-being of all the people).

Michael Wilson, who examined Reaganism firsthand on a visit to Washington in the summer of 1984, launched the Canadian rebellion as finance minister after the Mulroney government was office that Sep-

**Shutdowns at refinery near Montreal mean mass unemployment**

tember. Two years ago, as the clouds of recession gathered, Wilson outlined the master plan now in a budget speech: "The economy is in a period of slower growth. This is not surprising. We should try to avoid it," he said.

"To ensure a strong economic foundation for the future, we are moving forward with the broad plan that we set out in November, 1984. The plan has two main thrusts: to put the government's financial house in order, and to foster a dynamic, innovative and competitive private sector."

Wilson, since last April, has been minister of industry, science, technology and foreign trade, with a special mandate from Mulroney to promote competitiveness. He had helped lay the groundwork for his new task after the election in November, 1984, with proposals that had the effect of accelerating the competitive pressures from the United States. The key move: abrogation of the Free Trade Agreement in January, 1988, high interest rates that helped push up the dollar's exchange rate, and the introduction of the Goods and Services Tax in January, 1991. In the midst of that, Canada's output of goods and services began to decline.

**Shrinkage.** Apart from the shrinkage in production, current readings are mixed. The annual inflation rate has declined by per cent over one percentage point in that period, interest rates are between two and six points lower, the dollar's exchange rate is up by one cent, the annual budget deficits almost one per cent higher, the national debt has grown by about 16 per cent and the ranks of the unemployed have expanded by 379,000 to 2.4 million, not counting thousands of labor-disenfranchised.

A new watershed in Ottawa, along with competitiveness, is confidence—what is said to be required if people are to spend and invest enough money to stimulate an economic recovery. But the D-word remains dominant in Ottawa. As Macdonald explained it, "The growth of the debt in the 1980s—public debt, business debt, household debt—has created a situation where recovery will take a little longer than originally expected." There is another dangerous D-word: it is depression.



McMans soup kitchen: a further squeeze in government spending



# CALLS FOR A KICK-START

## SPEND NOW AND PAY LATER

A **COACH'S** job usually calls for only the most basic skills—packing up and delivering packages. In spite of that, executives at Purolator Express Canada Ltd. say that they plan to spend \$12 million in 1993 on training for the company's 3,300 employees in areas such as on-board reading and using computers. David Bennett, the Mississauga, Ont.-based company's general manager, says that it is important to invest heavily in training for the company to remain profitable in the future. At the same time, Bennett added, Canada's federal and provincial governments should spend more on programs to improve the quality and productivity of the country's labor force. "If you cut back spending on training, on programs to improve quality, you can save a little bit of money in the short term," he said. "But you have guaranteed yourself a disastrous future." As the current economic recession drags on, support for more public spending is growing, the approval of an increasing number of business executives and free-market economists—those who traditionally oppose such measures because they can lead to higher deficits.

Specifically, they say that Ottawa and the provinces should not stimulate economic growth either by spending money themselves or by cutting taxes, even at the risk of higher deficits. Says Douglas Peters, chief economist at the Toronto-Dominion Bank: "The first thing the government has to do is to say, 'Look, this recession is deeper and worse than we expected,' and then start to do something about it."

**Surprised:** The debate about the government's role in kick-starting the economy became sharply focused late last month when Matthew Barrett, chairman of the Bank of Montreal, surprised many colleagues in the business community by calling on the federal government to do more to help the unemployed. Declared Barrett: "Helping Canadians



without work makes good business sense."

Speaking to the company's shareholders in Montreal, the bank chairman recommended that Ottawa create a \$3-billion, multi-year program to spur job creation and launch a "significant training and re-training program" for the unemployed. He added that some of the money for the program could be raised by reducing social benefits for those who do not need them. For the remainder, he said, Ottawa should use the savings it will realize as the 1993-1995 fiscal year because lower interest rates have reduced the cost of servicing the \$400-billion national debt. By contrast, government officials say that the money saved from lower interest rates should be used to reduce next year's deficit, currently projected to reach \$34 billion.

Miller Ayre, president of St. John's, Nfld.-based Ayre's Ltd., is another businessman whose views

Ayre Barrett (right) the severity of the current economic situation has led even business leaders to urge the provinces and Ottawa to stimulate growth by spending money or cutting taxes, even if that increases deficits

about the importance of deficit fighting shifted as the recession drove his company to the brink of bankruptcy. In December, Ayre announced that he planned to close some of his company's 68 women's-wear stores, which operated under the J. McEwen, Wendy Nile and Berneis names, and by all it was as 750 employees. Ayre, who is also the current chairman of the Canadian Chamber of Commerce, told Maclean's that he used to be a firm supporter of the federal government's approach to controlling the deficit by raising its spending. Although he emphasized that he was expressing only his personal views, he said that the recession's severity has convinced him that Ottawa's eight-year-old campaign to restrain spending and light inflation has gone too far. Declared Ayre: "The government has to face the fact that there are short-term economic problems that have to be dealt with. They cannot continually look to the long term for solutions."

At the same time, Ayre rejects suggestions that the rising tide of unemployment and business bankruptcies is evidence that the economy is undergoing a necessary, and ultimately beneficial, restructuring. Said the businessman: "Right now there is a pervasive hope that the order we are, the healthier we must be going."

**Depressed:** Other business leaders, taking to words in even more liberal approach, say that Ottawa's single-mindedness was against the deficit has actually deepened the economic downturn. Clearly, they argue, government's previous wait-and-see approach, because the unemployed, bankrupt and less profitable pay less in taxes. Simultaneously, government expenditures will increase as the demand for social services, including welfare and unemployment insurance, soars. The result is a ballooning deficit. Tim O'Neill, president of the Atlantic Provinces Economic Council in Halifax, says that, during economic downturns, governments should temporarily allow deficits to expand to preserve jobs and keep the economy functioning as smoothly as possible. Said O'Neill: "Rather than sitting against the natural forces, governments should accommodate them. Otherwise, they risk exacerbating the problem and deepening the economy even more by adding to the cause of the recession in the first place."

One traditionally popular method of stimulating demand and creating jobs is the acceleration of government spending on new roads, hospitals, schools and other publicly owned facilities. Said William Dierkes, deputy chairman of Royal LePage Ltd., a diversified residential and commercial real estate company based in Toronto: "In the short term, I still have a little more to contribute the deficit, but I do think that there is more for some spending on public works projects."

For his part, Donald Savoie, an economist at New Brunswick's University of Moncton who has advised the Mulroney government on economic and constitutional issues, says that he is reluctantly adopting the position that the economy is "stuck" and that public funds would be better spent on infrastructure projects than on cutting government deficits. Added Savoie: "Public works projects are productive—they get money to the people who need the most vulnerable. And they make good economic sense, particularly at a time when interest rates are low." Savoie and O'Neill both cited a proposed four-lane expansion of the Trans-Canada Highway in the Atlantic provinces as the kind of project that governments should launch immediately.

Cutting taxes—a tactic intended to leave consumers with more money to spend—is another familiar method of stimulating the economy. John Dalcho, president of the 85,000-member Canadian Federation of Independent Business and a longtime critic of government deficits, now says that provincial sales taxes and Ottawa's seven-per-cent GST should be cut by one percentage point each. He acknowledges that tax cuts might result in higher deficits, but adds that they could also stimulate the economy enough to offset the temporary loss in revenues. More importantly, declared Dalcho, "It would result in a boost in consumer confidence." It would also, he said, improve the latter end of the public towards government and "draw some of the poison out of the system."

Other business leaders favor cutting income taxes on the grounds that such cuts are more equitable than sales-tax reductions. Says Claude Bédard, president of the Grosse Pointe Desjardins du Québec, the province's largest financial institution: "The government should give money back to individuals by raising the limit on individual tax cuts. It can be good for the government, too, because if people spend more, the government will collect more sales tax."

In the absence of any such measures, there is a clear danger that Canadian companies will continue to lose ground to the economy's competitors, maintaining the chances for recovery. Many, with good reason, are now fearful of losing their jobs or being forced to accept pay reductions; others are already unemployed and see little prospect of improving the workdays in the near future. Confronted with that bleak reality, growing numbers of business leaders are now prepared to believe—temporarily—economic aid comes to the rescue of the way for measures that could breathe life into a feeble economy.

BRENDA DALGLISH and  
BARBARA WICKENS



### REVIVING THE ECONOMY

#### A liberal agenda

- Increase government spending on public works projects to create jobs.
- Cut taxes, especially on the middle class, to encourage consumer spending.
- Help the unemployed and low-wage earners.
- Reduce interest rates to spur investment.
- Create a cheaper dollar to stimulate exports.
- Invest public funds in training programs.

# STEERING DEAD AHEAD

## CHANGES NOW MIGHT BACKFIRE LATER



McCauley says an Ottawa construction site. "It's not easy to say these things when a lot of my own members are unemployed. But we cannot just look at quick fixes. We have to look at the long term, for the sake of our kids."

As the president of the Canadian Federation of Labor, James McCauley seems stark evidence of the recession's devastating impact nearly every day. Now he tells his followers' 128,000 members are doctors, nurses, firemen and other construction workers—and in some parts of the country, McCauley says fully a third of them are unemployed. But even though the economy shows few signs of recovery, McCauley says that Ottawa and the provinces should resist the temptation to reject billions of dollars' worth of new public-works programs that would spur construction activity and create jobs for unemployed workers. "It's not easy to say these things when a lot of my own members are unemployed," McCauley acknowledges. "But we cannot just look at quick fixes. We have to look at the long term for the sake of our kids." "It's a position that clearly sets me apart from most union leaders," McCauley adds, that any action to increase government spending on new public-works projects as new roads and sewers would add to Canada's already-problematic

public debt. He adds, "There are no free lunches. We all have to pay our own way."

Government restraint on public taxes and had was the holy grail of big business throughout the 1980s. But the severity and length of the current economic slowdown have forced consensus of many groups across the ideological spectrum to re-examine their beliefs about the role of governments in dealing with the private sector. As Ottawa and the provinces struggle to contain huge deficits as increasing numbers of Canadians are signing all three levels of government—federal, provincial and municipal—in their current spending.

Even as the three provinces now governed by the traditionally interventionist New Democratic Party—British Columbia, Saskatchewan and Ontario—government leaders have announced that they are slowing down on spending and urging public-sector unions to accept wage restraints. Spending is a group of bankers in New York City late last month, B.C. Premier Michael Harcourt undertakes to eliminate his province's \$1.9-billion annual deficit before the next provincial election, likely in 1995. "We are determined to lower our deficit," Harcourt vowed. "You cannot spend your way out of the recession."

Engine is addition to sending the unemployment rate, the recession has pushed many businesses into bankruptcy and forced others to accept a sharp drop in profits. Despite that, most business executives dismiss suggestions that increased government spending could set the stage for an economic recovery. James Fink, president of Montreal-based lock manufacturer Uniflex Systems Ltd., for one, has lost 200 employees over the past 18 months, a quarter of his company's workforce. While Fink believes the recession has hurt consumers, he doesn't see his products, he believes that governments have no option but to tighten their belts as well. "If they go out and borrow more money for deficit spending, they will enslave our future," he says.

Like Fink, many business leaders say that governments cannot afford to issue additional debts. Rather than viewing the public sector as a potential engine of economic growth, they advocate measures that would put more money into the hands of consumers and businesses, such as rebates in provincial sales taxes and the seven per cent Goods and Services Tax. The resulting revenue losses, they say, would likely be offset by increased economic activity and the taxes paid by healthier businesses—offsetting the need for a higher deficit. But again from raising the tax burden slightly, says Sherry Cooper, chief economist at Toronto broker

age Benson Fry Ltd., Ottawa and the provinces should resist the calls for immediate action and allow market forces to operate without intervention. "People feel that government should stand back and let the economy happen," she says.

Many of those who oppose increased government intervention in the economy late since with the theory of pump-priming, but with the way specific programs are designed and implemented. They argue that much of the money that governments spend is wasted, as there is little point in introducing measures such as new job-training programs during a recession. It is a view shared by Collins Clarke, who last year ran a Toronto-candidate's real estate agency in May, 1990. Clarke, who five months later founded a support group for laid-off executives, says that many existing training programs are poorly conceived and fail to benefit the people they are

the price of Canadian exports on world markets.

Slack-Propel is among hundreds of Canadian manufacturers whose exports have been squeezed by an overvalued dollar, says Twenty. Last October, the company closed a plant in Horvath, Ont., laying off 225 workers, largely because of declining U.S. sales. The plant, now 70 per cent owned by the Ontario government, is scheduled to reopen early this month with about 100 workers all of whom have agreed to substantial pay cuts. But for the factory to remain viable, Twenty says, the Canadian dollar will have to fall from its current level of about 85 cents (U.S.) to about 80 cents.

In addition to calling for decreased spending on social programs, many business executives say that they would be willing to accept fewer tax credits and other forms of assistance. The short-term gain will be worth the long-term benefits, they say. And



Lineup for food at a Vancouver sidewalk, a reality that Canadians will have to accept

intended to help. She points to one plan that offers the unemployed to match \$5,000 towards the cost of approved courses at previously accredited educational institutions. She adds that many members of her group apply for and receive the full education benefits—without getting any marketable skills. "People are abusing the system," she complains. "The government is wasting the money, so they say, 'Why not take it?'"

Spent in addition to tax relief, critics of government spending advocate even lower interest rates to stimulate the economy. For his part, Robert Twenty, president of Whistler, Ont.-based furniture manufacturer Slack-Propel Furniture Corp., says that Ottawa crippled the economy by jumping on a debt-charged treadmill during the 1980s, raising interest rates to encourage domestic and foreign investment in finance at the expense of the policy. Twenty says, actually inflated the deficit by driving up the interest charges on the national debt. Higher interest rates also contributed to an increase in the value of the Canadian dollar, raising

without such measures to free up the market and eliminate artificial incentives for inefficient enterprises, they add. Canadian firms will never catch up to their more successful competitors in Europe, Asia and the United States, says Bob. "Government members like money for research and development don't work. We want business to invest in Canada because things are available at proper market prices."

Besides, many analysts say that it is simply unrealistic in the current political climate to expect that Ottawa will abandon its single-minded fight against the deficit in order to stimulate economic growth. Declared union leader McCauley "I don't think that governments are prepared to throw money at the situation." That may be a discouraging prospect for the unemployed members of McCauley's federation and the millions of other Canadians who have been hurt by the recession, but at a stability that they will have to accept.

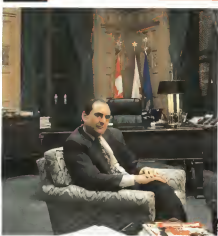
FREDERICK CHENHOLM and JOHN DALY



## REVIVING THE ECONOMY

### A conservative agenda

- Cut spending by government because it is less efficient than the private sector
- Resist higher deficits so that future governments need to borrow less
- Fight inflation by adjusting interest rates
- Allow inefficient companies to fail and encourage others to become more competitive
- Reduce taxes to spur investment, offsetting the revenue loss with government cutbacks



Mazowiecki in his Ottawa office: 'I'm in the business of helping people'

## 'THE TOUGHEST PORTFOLIO'

'MAZ' IS LIVING HIS LIFELONG DREAM

**A**s a boy, Donald Mazowiecki liked nothing better than to stand behind the cash register of a small Alberta hardware store. He grew up at the 1940s on an 800-acre grain farm that his parents, Frank and Dora Mazowiecki, had worked for more than 30 years. But the lure of life on the farm was lost on the youngest of three children. Instead, on trips with his father to the small farming community of Vaux, 180 km east of Edmonton, Mazowiecki became fascinated by the steel clatter of the till and the

hustle behind the counters of MacIvor's Hardware and Davro's general store on Main Street. From that early experience, membership in the world of business became Mazowiecki's enduring passion—and ambition. "I had one burning desire and I had my red net set on it as I grew up," Mazowiecki recalled last week. "I wanted to be the one doing the selling rather than the buying."

Nearly half a century and 2,740 km removed from the grain store, Mazowiecki is now in charge of the biggest—and most dramatically

expansive—cash register in the country. Within weeks, the 54-year-old federal finance minister will present his first budget, detailing his strategy for dealing with the most perilous economic period in a decade. In the political sphere, Mazowiecki—the government's deputy prime minister since 1986 and Prime Minister Brian Mulroney's self-described "right hand, in good times and bad"—wields enormous power as both a proponent and an architect of Tory policy. Just as the cash he helped to define his childhood goals, the challenges of politics behind his adult ambitions. As Mazowiecki told *Maclean's*: "Politics is the question I found that it was something I had not intended and I was surprised at being whether I could."

**Versatile:** Widely regarded as the second most powerful federal politician in Canada, Mazowiecki is loved by colleagues and opposed to alike as one of the hardest-working and most versatile members on Parliament Hill. Health and Welfare Minister Robert Boardman, distraught over the stunning defeat of Lester B. Pearson from the Conservative camp in May 1966, to oppose Quebec sovereignty, privately sought Mazowiecki's advice on his own course of action. Robert Boardman, a supporter of sovereignty, associated in the 1980 Quebec referendum, said in an interview that Mazowiecki, a close friend, convinced him to remain in the party. Added Boardman: "He didn't say, 'Don't do it.' But the line he was for his country, and the understanding he had when I was through tough times, was what I really needed."

Yet to all but a few of his closest colleagues, the Vegreville MP remains an enigma—a seemingly fearless workaholic in an extraordinary public career, and as times change, an enigma regarded by colleagues as "the softener" in an often-frustrated Tory caucus. Like Mulroney, Mazowiecki shares a friendship with President George Bush. During a visit to Vancouver's Expo 86, Mazowiecki made the then vice president an offer of support if he returns. Bush just the deputy prime minister's set of cell links and a photograph signed, "To number 2 from number 2."

Despite his hectic pace and high-powered friends, Mazowiecki finds solace—and, said, while in Ottawa, spending time. He often visits the old blocks from Parliament Hill to a three-bedroom apartment he shares with Anglican Minister William McKnight and Alberta MP Jack Shields. The three roommates have much in common. Most of them are only—golfing, badminton and cold sweats. Until Studt's wife, who lives in Port McNally, deceased their apartment in

1992, the doctor was early morning room book shelves were (showered from boards and locks). In the evening, the three men often sit at the long room, looking through their bookshelves and other papers. Mazowiecki himself usually goes to bed at 11:45 p.m., three weeks up in the telephone to his wife, Lucienne, who lives at Westville, or one of his three sons, Gregory, 31, Roger, 28, and Dan, 28. Unlike most cabinet ministers, both McKnight and Mazowiecki are listed in the telephone book. "A lot of people call me, but some of them harass me," the finance minister said. "I'm in the business of helping people."

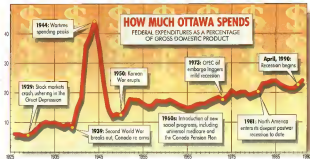
Although political loss outside his lack of formal training for the finance minister's portfolio, they add that if anyone can sell Conservative

finance, a few steps from the House of Commons. I think Mackenzie—a personal collection of budget notes and poll results suggesting that budget reduction cannot be the public's top priority—lay open on an otherwise cluttered desk. "Finance officials would love to get hold of this book," and a suddenly rejuvenated Mazowiecki: "Whenever I have a brownie, I put it down in here."

Three weekends had passed, and the climate the Alberta had come to know as Calgary, a two-hour drive away from Vegreville population 5,000 in the heart of the rural riding he has held for 23 consecutive years. That stop, on Jan. 24, was only for three hours, enough time to deliver a quick speech before flying to a government-owned Challenge jet to a summit

and opinion crisis at that Mazowiecki has little else to do than read a mail-stuffed store—and to use his considerable down-home charm to let what could be the last restaurant. They budget before a general election in 2002. Says Steven Lupton, the vice finance critic: "Mazowiecki has a different style than Wilson. But he hasn't done anything to reshape the department."

Still, party insiders say that it is precisely that difference in style that convinced Mulroney to turn to his trusted ally. Unlike Wilson, the current finance minister rarely lapses into technical jargon while delivering speeches and economic statements. As well, Mazowiecki has held a series of seven pre-budget regional meetings to replace the long-standing practice



free economic policy, it is Mazowiecki. He stated before party member Samuel Haysan, who placed third with 30 per cent of the vote in Mazowiecki's Vegreville riding in the 1984 election. "Mazowiecki is a nice man, but he can make me sweat out of my skin—including me."

Indeed, Mazowiecki has spent his career stamping the country with his policy's brand. As well as leading the Tories' early campaign to dismantle post-Liberal policies, he transformed the office of deputy prime minister into a powerhouse operation that exerts control over virtually every facet of the government's day-to-day political operations—inspiring the oft-cited Tory phrase, "Run it past Maz."

Still, after nine months at his new post, the man once called "the master of everything" may have lost his touch. "The finance is back," says a weary Mazowiecki confident last week, "but it's undoubtedly the toughest portfolio I have ever led." During the interview, more than a dozen finance executives waited outside the minister's spacious Centre Block of

the New York City of finance ministers from the seven leading industrialized countries. At that meeting, Mazowiecki shared reports with his counterparts about Canada's economic weakness—confirmation that he arrived in Ottawa later in the week to justify a two-month hiatus in discretionary government spending to avert a further rise in the federal deficit, now projected to reach \$38.6 billion at the 12 months ending on March 31. And despite the continued sluggishness of the economy—figures released last week show that the gross domestic product increased by a mere 0.8 per cent in November, following a similarly meagre 0.5-per-cent rise in October—the finance minister repeated the message of continued restraint to international counterparts in Thursday in Quebec City.

**Blameless:** Accustomed to getting his own selfish-consumption input on everything he touches, Mazowiecki has inherited a severe blueprint of fiscal restraints and debt reduction, laid out in a meticulous detail by his predecessor, International Trade Minister Michael Wilson. In fact, some financial analysts

of conducting private meetings with business executives, labor leaders and other interest groups. In preparing the meeting, the minister instructed his officials to publicize representatives of special-interest groups with direct—and often opposing—interests. Said Mazowiecki: "It is an opportunity for those who seem to believe that they have the right answers."

Those sessions are in keeping with Mazowiecki's willingness to rub shoulders with the people his policies most closely affect. "That's what you've got to do in policy-making—bring people together," he says. He added that he has promised the participants that he will meet them again, face-to-face, after he makes his budget public. "It'll be held accountable," Mazowiecki promises. "I'll have a chance to go at each other again. Even the government's current unemployment and the dismal state of the economy, those may be hard words."

By KATIE FLEISHER in Ottawa

C.P.  
0259

# A DECADE OF DEVASTATION

## REMINDERS OF THE GREAT DEPRESSION

**L**ike a ragged, defeated army picking up stragglers, their numbers steadily increasing. Now, six weeks after Christmas, perhaps as many as 100,000 homeless, desperate men travel aimlessly back and forth across the country. They huddle in unheated boxcars or freight trains. Some freeze to death. At every stop, some leave the trains long enough to go from door to door, offering to do odd jobs in return for food. Then they move on. In Cape Breton, mining company police refuse to let people gather coal from surface waste. At night, as the bitter cold, men sleep up chimneys, even telephone poles, for fuel in the stricken West, it has been more than a year since the Vancouver welfare system ran out of money. It has also been more than a year since the president of the Bank of Montreal claimed to see evidence of "delinquent vigor and soundness" in the economy. Even in Ottawa, there is optimism. Said the exiled Prime Minister, "Canada has survived the crisis."

It was the winter of 1932 and the Prime

Minister, the Tories' schoolmaster R. B. Bennett, was wrong. The Great Depression had, indeed, been sweeping most of the Western world for two years and would not begin to ease until 1935. It did not really end until war plants and military mobilization absorbed countless thousands following the outbreak of the Second World War. In the raucous decade between the global stock-market crashes of 1929 and the war, Canada's unemployment rate peaked at nearly 27 per cent.

**Children:** People's savings annual income plunged by almost 50 per cent. When they gathered usually in the streets to demand jobs or food or rent money, they were often clubbed by police and scolded by politicians for disturbing the peace. In 1933, Canadian farmers bought 13,600 tractors. In 1932, when the federal government was decrying the economy as "fundamentally sound," they bought fewer than 900.

In its scale, devastation and hostility, the Great Depression dwarfs the recession that

### Boarding trains for Ottawa protest unemployment but 27 per cent

began in April, 1990. Monday's government social safety reforms—unemployment insurance, welfare and job-retraining programs—have softened the impact of huge manufacturing and service industry layoffs that have led to double-digit unemployment rates. But for thousands of Canadians in 1932, lost jobs, mortgage foreclosures, small-business failures, factory closings, food banks and a pervasive mood of national despondency have recreated elements of a 60-year-old nightmare that experts now predicted could never happen again.

On Oct. 23, 1932, less than 10 minutes after Bank of Nova Scotia president J. J. Moore predicted "an unprecedented period of prosperity," stock markets in New York City and Toronto crashed. During the next few months, all Western economies followed. Other countries could no longer afford to buy Canadian wheat, lumber, wheat and base metals. Millworkers and miners lost their jobs and farmers did so too.

Because there was less to ship, railway earnings plummeted—in the point where they could not afford to buy new rolling stock or lay more track. Steelworkers were laid off. Retail sales, business investment and the financial services industry were hard hit as well, and white-collar workers worried the rates of the unemployed. It was an earthquake of chain reaction, eventually, 20 per cent of the population depended on some form of public relief. But bankers were hard to discourage. Proclaimed one "General conditions in the country are fundamentally sound."

That view was widely shared in the postled

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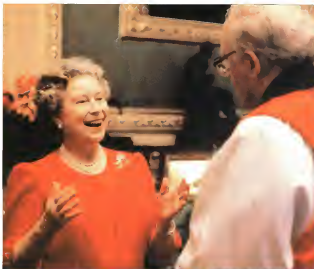
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## ROYALTY

# 'Elizabeth R'

*The Queen celebrates 40 years on the throne*

**I**t is a sunny afternoon and the Queen is in the Royal Box at Epsom Downs, south of London, watching the annual Derby horse race along with her family and entourage. Generous, the horse she picked to win, is trailing as he enters the final furlong—and the tension grows too much. Her Majesty grabs her binoculars and rushes to the balcony just in time to see Generous pull ahead as he approaches the finish line. "That's my horse—I've won the thing!" she exclaims in delight as she turns away and collects her winnings, a

less-than-elegant £20, or just over \$32.

The scene is part of a television documentary on the Queen's working life entitled *Elizabeth R*, scheduled for broadcast this week in Britain and Canada. (The program will be carried on the TV on Feb. 6 at 8 p.m.) It provides rare glimpses of the Queen as an unguarded woman. Forty years after she ascended the throne of the United Kingdom, Canada and her other realms on Feb. 6, 1952, she is one of the world's most famous women, and, at the same time, almost completely unknown.

She has reigned longer than all but two of her predecessors (Victoria, who was Queen for almost 64 years, and George IV, who ruled for 59), and most of her subjects in the 17 countries of which she is sovereign are too young to remember any other British monarch. But she has never given a formal media interview, and all of her public utterances, aside from her annual Christmas message, are scripted by the government of the day. Professional royal-watchers have doled out a steady diet of trivia, including her fondness for such pastimes as chicken and, of course, horse racing. But not even they pretend to know her personal views on any significant issue of the past 40 years.

Much more is known—far better or worse—about her burgeoning family. Scarcely a month goes by without a new scandal or controversy touching one of the royals, including the recent revelations about photographs of Sarah, the Duchess of York, on holiday with the son of a Texas oil millionaire. Such antics are awkwardly at odds with the monarchy's supposed role in setting a public example of probity and family values. But they never seem to faze the Queen herself, who has not put a public foot



*clockwise from top left: the Queen with the Archbishop of Canterbury, George Carey, entering from a visit to St. Mary's; having her portrait painted by Andrew Farrant at Buckingham Palace; one study claims that about a third of Britons dream about the Queen and other members of the Royal Family*

swing for 40 years. In fact, writes Antony Jay in his new study of her reign, also entitled *Elizabeth R* (McGraw-Hill & Stewart, \$34.95), lesser royals defect attacks on the monarch "as if they feared a lightning bolt, shooing the blows and thrusts of the enemy in order to protect the Queen." The only controversy to touch her during the past year is a debate in Britain over whether she should pay taxes on her private income. Her aides point out that Parliament has decided that she should not pay, and it is up to Parliament to change the rules. Celebration of the 40th anniversary will be deliberately low-key. It is not an official jubilee year, like the 25th anniversary in 1977, or the





## ROYALTY

With, which would be marked in the year 2002. Most attention is focused on the 130-minute television documentary, which will provide the closest look ever at the Queen's working life. Buckingham Palace gave a British Broadcasting Corp. film crew special access to such events as state banquets and the Queen's weekly audience with the British prime minister. Photographer David Seamon was allowed to take informal pictures of the Queen in conjunction with work on the documentary. A selection of Seamon's photographs accompany this article.

The Queen's roles are that they hope the documentary and the book will increase awareness of the monarch's role in making the wheels of the British state turn smoothly. At 62, she has guided the royal House of Windsor to the brink of the 21st century with a remarkably high popularity rating. Despite the scandals, surveys put support for the monarchy at between 75 to 80 per cent. The Queen plays at least four roles: head of state, symbolic head of the British nation, head of the Church of England and head of the Commonwealth, including Canada. In Britain, the institution she symbolizes is a chief element of national pride and even a rich source of fantasy. One study, by literary editor and author Brian Masters, claims that about a third of Britons dream about the Queen and her family. In addition to all her other functions, writes Masters, "she is Queen of the British psyche."

ANDREW PHILLIPS in London

The Queen and Queen Mother watch the Derby horse race (above), choosing fabrics for Holyroodhouse in Edinburgh; her key celebrations



# How?

Test your development IQ!

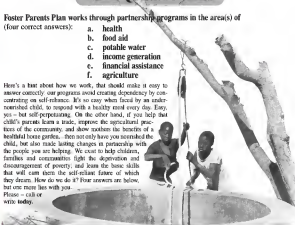
## Question 3

Foster Parents Plan works through partnership programs in the area(s) of (four correct answers):

- health
- food aid
- potable water
- income generation
- financial assistance
- agriculture

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### Answers:

a., c., d. & f.

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PLAN CANADA

# Campus cutbacks

Nova Scotia tells academics to cut costs

Until recently, the friendly rivalry between higher-school officials at Dalhousie University and Saint Mary's University in Halifax resembled brothers bickering about who has more muscle or respect. Then, in 1986, each school underwent a major renovation to open a new building to handle increased enrolment.

The government-appointed Nova Scotia Council on Higher Education opposed the idea, arguing that duplication would be both costly and inefficient. Later, provincial government officials, faced with a deficit of \$300 million and dwindling revenues because of the recession, called for a more drastic alternative to cut costs in its "Role and Planned Capacity Report," released in May in conjunction with the Maritime Provinces Higher Education Conference. The council suggested that the business schools should consider merging. In fact, the government wanted that if the two universities did not agree to share resources, it might make cuts itself. Some academics said that may mean closure of one of the schools.

The Halifax lead may signal the first of a series of housing reorganizations between centers of higher education and provincial governments determined to trim costs.

To deal with funding and wage freezes, some politicians say that academic leaders will have to surrender long-cherished autonomy and merge main programs or institutions. "The dollars are just not there," said Ronald Giffin, Nova Scotia's minister of advanced education and job training. Similar pressures are building in other provinces, including Ontario, Saskatchewan and New Brunswick. But Charles Lapierre, president of the Ontario-based Association of Universities and Colleges of Canada, says that institutions need more freedom to make internal cuts. "Governments control tuition and accessibility," and Lapierre says, "They should give universities the tools to make tough decisions."

But some political analysts say that building bridges among the ivory towers will increase

efficiency in the entire system. In Ontario, there have already been tentative steps towards increasing co-operation among the province's 23 community colleges and 22 university-level institutions. But the first testing ground for so-called rationalization in Nova Scotia, which, with 12 university-level institu-



Dalhousie's chemistry building: universities are forging links among the ivory towers

ties to serve only 900,000 residents, has Canada's largest per capita network of institutions of higher education.

As part of that process, provincial officials told the Council on Nova Scotia University Presidents to justify academic programs and recommend possible cuts. In their response to the government's directives, released last month, the council's 18 members refused their request by explaining that "no president could reasonably make such a decision." The report then recounted several examples of procedures, either planned or under way, to streamline the options by sharing resources and co-ordinating programs. "We only had to address the issues raised in the study," said James Perkins, assistant chairman and president of Acadia University in Wolfville. Added Saint Mary's president, Kenneth Casson: "I don't

think our role is to help the government to co-ordinate the university system."

For his part, Giffin said that he had expected the council's response. "People want to defend their turf," said Giffin, who added that he plans to announce additional mergers within the next few weeks. "Where the presidents could not reach agreement," he said, "the government will just have to take the lead."

Despite the presidents' reluctance to propose cuts, policy experts say that the province's review to eliminate duplication of programs and services is the best way to manage a university system that has become too large and too expensive for one of the country's most highly taxed provinces. In the 1987-1988 fiscal year, Nova Scotia spent 4.5 per cent of the provincial budget on university education, compared with the national average of 3.7 per cent. But the province spent only \$2,940 for

each of its 25,000 students—almost \$400 less than the national average of \$6,529. The federal government calculates funding partly on the basis of the provincial population and does not account for the 25 per cent of university spaces filled by out-of-province students, which some provincial officials claim leads to higher costs for local taxpayers. To reduce its deficit, the province has announced a university funding freeze for the next two years and an increase of only three per cent for 1994-1995. Politicians also proposed a freeze on all public-sector salaries and wages. And students will almost certainly face higher tuition fees, which, at an average of \$5,165, are already among the highest in the country.

Student groups say that without more freedom of input into what should be cut, they will be the chief casualties of rationalization. "Most

# Why?

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## Question 4

The underlying reason why Foster Parents Plan works in developing countries is (choose one):

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- children are our future
- the most basic resources are unavailable in the developing world
- as global citizens we are responsible for the future of our world

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if we can't afford to come to Halifax to study a certain program," said Robert MacLean, a third-year business student and president of the students union at the Sydney-based University College of Cape Breton. "But students don't always come first." Indeed, provincial health ministers meeting in Banff, Alta., agreed last week to cut expenditure in medical schools by 10 per cent by the fall of 1993 as part of a strategy to trim health care spending by reducing the number of doctors who can bill for services.

Despite protests against reducing or merging similar academic programs, the Nova Scotia university presidents agreed on the need to promote their individual strengths by concentrating on cross-specialized areas of study. "We have never tried to be everything to everybody," said Elsiebeth Pien-Johnston, president of Mount Saint Vincent University in Bedford,

which focuses on educating women, who make up 85 per cent of the student body. "The council also cited other initiatives, including a consortium for human resource development to collaborate on continuing education and correspondence courses, a Nova Scotia faculty of graduate studies centred in Dalhousie and plans to reintroduce master-education programs. But Peikin warned that universities "need time to re-allocate resources without affecting classroom performance." Meanwhile, university critics charged that the council's overall lack of direction was evidence of its acceptance of the status quo. "What do they want out of this?" asked Dana Elgoff, Multiville-based president of the Canadian Association of College and University Student Services. "I still can't identify their ultimate goal."

Indeed, critics say that the enthusiasm for rational, concise, concise, concise members of the university community is an indication that the

government should have assigned the mandate for change to them, rather than to the presidents. "Presidents are loyal to their universities first," said John O'Donoghue, executive director of the Nova Scotia Confederation of University Faculty Associations. "The process would be better if it involved people whose chief concern was academic quality." Karen Covey, a fourth-year business student and president of Mount Saint Vincent's student union, also charged that presidents should not oversee non-academic issues. She added: "You have to survive the people who are most affected. Everyone recognizes that there can be more efficiency."

Provincial governments have recognized that they must allow universities to increase their income if the overall quality of education is to be maintained. Officials of the Association of Universities and Colleges of Canada point out that higher university costs across the



Peikin: academics need time for cuts

country have forced politicians to accept unpopular tuition increases. The Ontario government, for one, which spends an average of \$8,650 a year on public secondary school students but only \$6,700 on each undergraduate, is permitting universities to raise fees next year by seven per cent to offset an increase of only one per cent in operating grants. But the Association of Universities and Colleges of Canada reports that universities in Saskatchewan, which received grant increases of 3.5 per cent this year to \$164 million, are receiving less by as much as 50 per cent. Other provinces, including Newfoundland and Alberta, have charged students about 15 per cent more this year. "There has to be some more money," said Saint Mary's O'Connor. "In our case, there is no list to cut." Despite the difficulty of reaching a consensus because of their different priorities, some academic and government officials are working together to improve the

university system. Legeresse points to Quebec as a rare model of co-operation. "Both sides are putting the money on the table," he said. "It is an example of what can be done."

In Nova Scotia, officials insist that university levels will have to open parts of their entry towers to negotiation. Said Gilpin: "They have to co-operate in finding savings or we will have to impose it upon them." Meanwhile, the governments of New Brunswick and Prince Edward Island have indirectly asked universities to submit details on their current programs and future plans by May. Said Timothy Andrew, chairman of the Fredericton-based Maritime Provinces Higher Education Commission: "We can't afford to run a large number of similar programs." For a system already struggling to meet increasing enrolments and demands for competitiveness, that could be a crippling blow.

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## SPACE

# Touch the sky

A Canadian scientist wants to enter space

As the space shuttle *Discovery* smoothly entered to Earth at Edwards Air Force Base in California last week, about 20 Canadians in Ottawa, who watched the landing on a television channel sponsored by NASA, broke into cheers. Then, they poured glasses of champagne to toast *Discovery*. The scientists, astronauts and other workers of the Canadian Astronaut Program were celebrating the end of *Discovery's* mission and, in particular, the safe return of Roberts Bosler, the Canadian astronaut who was one of the spacecraft's seven crew members. The completion of a space flight, said Steve MacLean, one of the six members of Canada's astronaut program, "is a real high for everyone involved." MacLean, a physicist, had special cause for elation at *Discovery's* successful eight-day mission. If everything goes according to plan, he will be launched on the shuttle *Columbia* itself on Feb. 24 for a 30-day mission.

With the completion of *Discovery's* nearly flawless flight, Bosler and her fellow crew members did a grueling period of medical tests and debriefing before they emerge in public for the first time since their flight at a news conference on Feb. 21 in Houston. During the mission, Bosler carried out a series of Canadian-

sponsored scientific experiments that included a study aimed at finding out why astronauts suffer from back pain and disorientation at the gravity-free conditions of space. When MacLean, 27, travels into space in September, he will be in charge of another scientific program. After *Discovery's* safe landing last week, MacLean left for Hawaii to test equipment designed to study the Earth's protective ozone layer from Columbia. Said the astronaut of his scheduled space flight: "You're very lucky if you get a chance to fly in space. I still feel that when I think about the fact that I'm doing what I do."

Said MacLean, he endured a long wait for his chance to journey beyond the Earth's atmosphere. Born in Ottawa, where his father, Paul, worked as a chemist for the National Research Council (NRC), MacLean earned a bachelor's degree and a PhD in physics at Toronto's York University. An expert in laser physics, MacLean was conducting research at California's Stanford University in July, 1983, when a friend in Toronto told him by telephone that the Canadian government was advertising for applicants for an astronaut program.

As one of the 4,300 original applicants, MacLean went through four months of interviews and tests. Of the 50 who were finally selected, Marc Garneau, a Quebec City-born engineer,

was the first to go into space. In 1984 last month, Bosler, from Saint-Sauveur, Que., became the second Canadian to travel in space. The four other Canadian astronauts are MacLean, Kenneth Blom, a Toronto physicist, and Robert Thirsk, a physicist from Calgary who is also a trained engineer, and Henri Testagrose, an industrialist and acrobatic who grew up in Richmond, B.C. MacLean was originally scheduled to go aboard a space shuttle flight in March, 1987. But the explosion aboard the space shuttle *Challenger* in January, 1986, which killed all seven crew members, set back NASA's space program.

When he goes into space aboard *Columbia*, MacLean will be in charge of seven separate scientific programs. During the flight, he will spend four days testing an instrument called the Space Vision System that is intended to improve the functioning of cameras.

The cameras, manufactured by Spar Aerospace Ltd. of Toronto, is used aboard the shuttle to launch satellite and to manipulate other external objects. The Space Vision System uses television cameras and a computer to provide the Canadian operator with more accurate information about the exact location of each part of the object being manipulated. MacLean will also conduct a number of medical experiments and use equipment designed by Environment Canada's Atmospheric Environment Service to determine the altitude and extent of the ozone layer and other gases in the Earth's atmosphere. Some scientists say that man-made substances are damaging the ozone layer, which protects life on Earth from harmful ultraviolet radiation.

In preparation for his journey over all, MacLean said that he planned to move his wife, Nadine, and their 21-month-old son, Jean-Philippe, from Ottawa to a new house near NASA's Johnson Space Center in Houston early in March. Nadine MacLean is expecting another child this month. A member of the Canadian national gymnastics team in 1976 and 1977, MacLean knows fit by playing tennis, doing and jogging. He earned a flying license for light aircraft in Ottawa on years ago. Last week, as he prepared to board a commercial jetliner to fly to Hawaii, MacLean said an astronaut, Stanley Serebrenik, took a flight in a T-33 two-seater jet.

When *Discovery* with Bosler aboard, blasted off from Cape Canaveral, Fla., on Jan. 22, MacLean was there. With 6.3 million people in orbit, three jailing the space shuttle departure, said MacLean, the flight was "a spectacular sight." He added: "And considering that you've got a very close callings aboard, it's very emotional." When *Columbia* roared into the sky in September, it will carry the hopes—and fears—of MacLean, his fellow astronauts and other Canadians into the mysterious reaches of space.

MARK NICHOLS

A SPECIAL ADVERTISING SUPPLEMENT  
TO THE FEBRUARY 10, 1992 ISSUE OF MACLEAN'S MAGAZINE

## RRSPs: THE SECURE FOUNDATION FOR YOUR FINANCIAL LONGEVITY



ILLUSTRATION: CHRIS HAVES

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Indeed, your RRSP contribution is as essential as mortgage repayment. In fact, it's unwise to use all your savings to pay off your mortgage before starting to buy RRSPs. According to Loren Laxman, senior manager, financial planning at Post Merwick Thorne in Vancouver, you'll have minimum retirement income from RRSPs if you put savings into RRSPs and then apply your tax refund to your mortgage.

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you have \$11,500 in RRSP contribution room this year and don't come up with the money, then next year, when you have \$14,000 of contribution room, you're even less likely to have that full amount. Worse than that, if you

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- Supplementary employment benefits.
- Net royalties.
- Employee profit-sharing plan allocations.
- Research grants, less allowable expenses.
- Taxable benefits from wage loss replacement plans.

In general, all the experts agree that you should maximize your RRSP contribution every year despite the new flexibility. As Neil Taylor, assistant manager of advanced sales at Investors Group in Winnipeg points out, "if

purpose your contribution "you lose the compounding that your money would have enjoyed as an RRSP."

Keep accurate records of your contributions and file a tax return even for low-income years to ensure you get all the RRSP eligibility you're entitled to. Now that you can move deductions from one year into the next, there are strategies to maximize your tax break. Points out accountant and lecturer Dan Nelson, principal with the Vancouver-based Nelson & Co. "You could make an RRSP contribution that brings your income down into the lowest tax bracket for 1991, for instance, and plan to make the rest of your allowable 1991 contribution later in 1992."

## WHAT RRSP INVESTMENTS ARE RIGHT FOR YOU?

### CHOOSING YOUR BEST ASSET MIX

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Alkanes Investment Services Inc. of Waterloo recommends that, if you have 15 years or more to retirement, you invest five per cent in short-term vehicles, 20-25 per cent in income investments, 15-20 per cent in growth and income investments, and 50-60 per cent in growth. Once you are five years from retirement, you should switch to 10 per cent in short-term vehicles, 35 per cent in

income investments, 20 per cent in growth and income investments, and 15 per cent in growth. Alternatively, six years ago as the guide suggests Robert Shuckoff, marketing coordinator, Investment Funds, Investors Group in Winnipeg, and aim to have 35 per cent of your money in income investments if you're 35 years old, by the time you're 65, put 65 per cent in income investments.

Also consider your risk tolerance, your level of income, your other assets, how long you have until retirement and your personal circumstances.

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Segregated funds sold by life insurance companies are insurance contracts equivalent to mutual funds. They can provide superior returns. Some allow you to pick your own maturity date (between 10 years) although you can always surrender early. All guarantee you will get back at least 75 per cent of what you contributed after 10 years or upon your death. However, many are tied to life insurance products; you can only buy one some of them with dividends from a whole life policy, for instance.

Look for a family that has good managers and a good track record. Investigate the total fund family to avoid switching, say, from the top fund fund in the field to the lowest equity fund. And make sure you understand the costs. Some fund families limit the number of switches you can make per year or charge transaction fees to transfer among them. You might have to pay full or discounted commissions every time you buy into a different fund, a back-end load to get out, or commissions on life insurance products.

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If you have the time and expertise to manage your RRSP closely, then you could probably maximize your return in equities by investing directly in a self-administered RRSP and buying 25-35 common stocks in a variety of market sectors. The safest way to invest in equities for most people, though, is to hold on to good quality mixed funds for at least 30 years.

## REAL ESTATE MUTUAL FUNDS

Although real estate has fared badly over the past few years, property values should ultimately keep pace with inflation. These funds are evaluated according to market approach which may not reflect the actual price that the properties would get if they were sold. And most require at least 30 days notice before you can cash them in.

## FOREIGN INVESTMENTS

These include global and U.S. mutual funds as well as foreign currency funds and are a good bet if you think the Canadian dollar is going to depreciate. "A U.S. fund could be especially important if you eventually spend all or part of your retirement year in the U.S. and want to generate some U.S. dollar-based income for yourself," states Gordon Page, financial broadcaster and author of *Retiring Wealthily* and *Gordon Page's 1992 Guide to RRSPs*. You can get 10 per cent of your RRSP into such funds, though current tax proposals will permit you to invest up to 24 per cent of your self-administered RRSP in foreign securities for 1991, up to 36 per cent for 1992 and up to 40 per cent by 1994. "Once these tax proposals are passed, take advantage of the increasing foreign content allowance," urges James O'Donnell, president of Macdonald Financial Corporation. "Plug into opportunities in other markets. The TSX's capitalization is less than four per cent of the world's stock market capitalization."

## PRECIOUS METAL OR RESOURCE FUNDS

These specialty funds, which can include precious metals, gold, or prices of stocks, are a good long-term hedge against inflation, but they can be volatile over the short term.

## INCOME SECURITIES: GICs, TERM DEPOSITS, LIFE INSURANCE DERIVED ANNUITIES

These investments provide guaranteed income with a fixed period of time — not an advantage if inflation starts escalating or our dollar starts plummeting. CA defined annuity, sold by life insurance companies, is comparable to a GIC or term deposit, and ultimately provides either a payout annuity or RRSP. "Now that inflation and interest rates have come down, expect to earn a considerably less on traditional deposit instruments," warns Earl Bederman, chief economist, senior vice-president of planning at Central Guaranty Trust. "More and more people will have to seek out alternative investments, because these traditional contra-

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► **EARL BEDERMAN**, chief economist, senior vice-president of planning at Central Guaranty Trust.

Maximizing the performance of your RRSP is probably the most important thing you can do with your money, because RRSPs are going to represent or increasingly share of inherited financial wealth. To maximize your return, look at longer term income investments or other instruments, like bond or mortgage funds or equities.

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### MORTGAGE FUNDS

Mortgage funds are like a self-liquidating portfolio of GICs," explains Mandelk at Investors Group. "They have thousands of mortgages and some of those come due every day at current rates. If interest rates begin accelerating the fund can start to lock in at the higher rates." Read the prospectus carefully and make sure they're not secured as protection against defaults.

### MONEY MARKET FUNDS

Money market funds which invest in short-term (usually up to 90 days) government and corporate treasury bills. "Adjust to current short-term interest rates. If interest bill rates accelerate, your account automatically benefits," explains Mandelk. And they're a handy spot to park cash that if you move in real time rather than money market funds you'll achieve average rates throughout the cycle, and at the end of the day that won't be a whole lot in excess of inflation," cautions Gerts of the Hamilton Greenfields.

### BOND FUNDS

Bond funds, which invest in corporate and government securities, but mature at great

intervals, provide fixed income and ultimately repay the principal at maturity. The term of underlying investments is longer than money market funds but shorter than most long-term bonds.

Bonds fluctuate in value according to such things as prevailing rate of interest, explains Philip Assonov, president of Altona. "Because if you buy into a bond fund when interest rates are 10 per cent and interest rates fall to five per cent the value of your investment will increase."

### STRAP BONDS

Strap bonds are "bonds in disguise," says Altona's Assonov. They provide a coupon which a fixed amount of interest will pay out several years down the road. Dynamic Fund Management Ltd. offers a strap bond fund which can be more liquid than individual strap bonds. "If you think interest rates will go down and stay down over the next decade, buy a strap bond or a strap bond fund for a portion of your assets," advises Assonov. Kohnen, vice-president, corporate and public relations at Dynamic Fund Management Ltd.

### BALANCED FUNDS

Balanced funds contain a mix of equities, bonds and cash. You get some of the benefits for growth associated with equities as well as the greater safety of principal and income stream of fixed income funds. The fund manager decides about the asset mix for you. Look beyond the fund's track record to find out how the fund managers determine its weighting, and make sure their guidelines, investment styles and priorities match yours.

## HOW TO MAKE YOUR RRSP WORK HARDER

**1. START EARLY.** The longer your RRSP has to grow, the more it can multiply. In fact, the rights of the wind, to my opinion is the matrix of compound interest," says O'Donnell of Maketree Financial Corporation. "The sooner you get it working for you, the better." If you started contributing \$2,000 per year into your RRSP when you were 20, for example, and risk-adjusted for eight years, your end-of-15,000 investment would rise to \$148,150 by age 65, assuming a 10 per cent annual return. That's all the more spectacular when you consider that if you started the same \$2,000 per year for the same 35 years from age 27 until

you're 65, your end return would be less, \$98,691. Likewise, if you put \$7,500 away at the beginning instead of the end of the year, that \$7,500 could grow by an additional \$93,275 over 25 years, assuming a 12 per cent return. And some investors (if you preferred) that the clock, or early bird loses interest rates.

**2. DIVERSIFY.** Include a variety of investments in your RRSP to protect against any changes in economic and social conditions. A well-diversified portfolio "removes the need for you to try to call the market or discern the intentions of investors, points out Gerts of Hamilton Greenfields.

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**GORDON PAUL, General Broker/Analyst and author of Working Wealthy and Gordon Paul's 2002 Guide to RRSPs. My favorite RRSP investment choices this year:**

1. Equity-based mutual funds. Specifically, stock funds have responded to economic improvement and growing consumer confidence with substantial gains. 1992 might see the stock markets finally come out of the doldrums.
2. Foreign equities. International diversification, especially into the U.S., continues to be important. Building up foreign equities in your RRSP will protect you against the vagaries of the Canadian dollar and if the Canadian dollar debate that will come to a head this year causes serious upturns in financial markets.
3. Mortgage funds. These fixed income investments provide a nice steady pay-out and rate of return. If interest rates go up, you won't be hurt as much as a mortgage fund as you will in a bond fund, because the average term to maturity of a mortgage fund is relatively short, usually about two years.

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**3. CONTRIBUTE REGULARLY.** If you can't afford to make your entire contribution at the beginning of the year, make periodic contributions into your RRSP throughout the year. For example, average for \$50-\$100 — whatever you can afford — to go directly from your chequing account into your RRSP each month. "This can be a really painless way to make sure you invest regularly," says Taylor of Investors Group. "After a month or two you won't even notice the money disappearing from your account."

Contributing regularly is also an ideal way to buy into an equity-based market fund. If you continue to buy units all the way down to shares go from \$10 to \$6 and then back to \$16, for instance, your fund will hold some shares worth \$10 that it paid as little as \$8 for. Even if the market ends up where it started you'll make money. "The reality of it is the stock market spends more time going and losing than it does coming at it," says O'Donnell of Macdonald. "If you're steady and there, you'll accumulate assets at a reasonable price." (See the chart below.)

**4. GET THE BEST POSSIBLE RETURN.** Any additional annual return in a ten shelter can make a huge difference over the years. If you put \$1,500 per year into your RRSP over 35 years, for example, it will be worth \$280,000 invested at eight per cent or \$477,000 invested at 10 per cent.

**5. LET YOUR RRSP GROW.** If you need cash, consider all other sources of funds before your RRSP. You need this money for your retirement, but if you have no alternative, employ strategies to get money out of your RRSP. For a short-term need, withdraw RRSP money during the year and then replace it by the next deadline under your own eligibility. One of Nelson's clients, for example, cashed out \$10,000 from his RRSP last year, "which would have cost him \$4,000 in tax back-ent," Nelson says. "He'll simply replace that money into his RRSP from this year's RRSP eligibility." If you have no way of replacing your RRSP immediately at least minimize your withholding tax by withdrawing money \$5,000 at a time. You pay 10 per cent with holding tax on withdrawals of \$5,000 or less. 20 per cent if your withdrawal is \$5,000-\$15,000 and 30 per cent on the entire withdrawal if the amount exceeds \$15,000.

**6. USE SPOUSAL RRSPs.** If one spouse does not qualify to make an RRSP contribution

because he or she has no employment income, the working spouse should consider making contributions to a spousal RRSP. points out Nelson. You can put any amount of your RRSP contribution based on your earned income into a spousal RRSP and continue to make such spousal contributions as long as your spouse is under 72. You get the deduction, your spouse gets the money accumulating, and, ideally, you both end up in the same income bracket upon retirement.

Remember, though, that if you contribute to a spousal plan and your spouse makes a withdrawal from it within three years, which includes the year of your contribution, the withdrawal will be treated as your income and be taxable in your hands. (The three-year rule applies if your spouse converts the RRSP into a RRIF, meaning that your spouse withdraws an amount greater than the minimum. It doesn't apply if the spousal RRSP is annuitized.)

Until 1994, you can roll up to \$6,000 of income from a registered pension plan (RPP) or deferred profit-sharing plan (DPSP) into a spousal RRSP as long as the spouse receiving the contribution is under 72. "If the tax system were like a supermarket," says Taylor at Investors, "this would be advertised as a limited-time special." You cannot, however, use the \$6,000 overcontribution provision to legitimize future RRSP claims under the \$5,000 special rollover, says Nelson. The \$6,000 overcontribution can only be applied against

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**Robert Murdoch,** marketing coordinator, investment funds, Investors Group in Waterloo.

Pick the investment that fits you, feels right, and meets your time horizon and level of comfort. Create a balance you're comfortable with and don't rely exclusively on asset class, because there are periods when some are up and the others are down.

### INVESTING BY INSTALLMENT DOLLAR-COST AVERAGING IN A FLUCTUATING MARKET



Source: Macdonald Financial Corporation

Future earned income RRSP deductions

Are you both getting private pension plan assets? Then each of you can continue to get



RRSP deductions by getting \$4,000 per year into each other's plan. Contribute \$4,000 into your spouse's RRSP under this new rule even if your income is so low you have to draw that sum out of your own RRSP plan, says Wilson. "You don't get a tax deduction, but the goal is to hold up your spouse's RRSP and then achieve income splitting upon retirement."

**7. SWAP ASSETS INSIDE YOUR RRSP FOR INVESTMENTS OUTSIDE IT.** If your RRSP limit is \$11,500. For instance, and you've got \$11,500 in personal CDs or equities, you can transfer those securities into your self-directed RRSP as your annual contribution and get the full \$11,500 tax deduction. "The investments you have in your outside account are valued at their fair market value on the day you contribute them," explains Wilson. "You'll have to pay tax on any capital gains if you already received your exemption and you won't be able to claim any losses."

You can get a tax deduction for the value of a mutual fund that's down temporarily by rolling it into your self-directed RRSP. Or you can exchange interest-bearing securities such as CDs that you hold personally for equities within your RRSP. Once the equities are out of the plan, any future capital gains can be sheltered under your lifetime capital gains exemption. Taxshelter can receive the advantage of the Dividend Tax Credit.

**8. ENSURE YOU GET \$1,000 OF TAX-FREE PENSION INCOME.** When you turn 65, cash in enough of your RRSP to provide the \$1,000 of annual income, pension income you're entitled to.

Alternatively, a possibility as tax law allows a life insurance company to issue a term deposit with non-sheltered funds whose interest qualifies for the \$1,000 lifetime "pension out of pocket." It would therefore be prudent to invest in such a term deposit at age 65 and leave your RRSP alone until age 71.

**9. BORROW FOR YOUR RRSP.** Though RRSP loans are no longer tax-deductible, they still make sense. If you're in the 40 per cent tax bracket, for example, and if you borrow \$10,000 at 12 per cent to put into your RRSP, the cost of the loan—assuming you repay it within a year—would only be \$1,200. But that \$10,000 invested in your RRSP at 10 per cent costs \$100 and you receive a \$400 tax refund. In addition, your RRSP investment would continue to compound over the years.

**10. TAKE ADVANTAGE OF THE FREE OVERPAYMENT PROVISION.** You are now allowed a cumulative lifetime penalty-free \$8,000 RRSP overcontribution. If you're 21 years old and overcontribute by \$8,000 now and always stay \$8,000 overcontributed that \$8,000 would grow to \$140,000 by age 62, assuming it earned 10 per cent per year. Outside your RRSP, it could end up worth about \$55,000 after taxes.

You could also give your children over \$1,000 into \$8,000 for their RRSPs, suggests Kellman at Dynamic. Even though they may not get a deduction for the contribution immediately, they get all those years of compounding growth before they're 65.

Keep careful records to ensure you never

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Paul Bates, president of Montreal Brokerage Discount Investment Services

The 1990s will be the last serious decade. Most people have started to become much more active in terms of looking for things to do with the money they go to in the RRSPs, because they're realizing that when they eventually need to live off the capital that has been created from today's investments, there's only one person they can blame if it's not enough: the person who steers him or her from the money away from investing.

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overcontribute beyond \$8,000, because you're subject to a penalty of one per cent per month for any amount that exceeds your personal limit, effective the date of the overcontribution.

**11. KEEP COSTS LOW.** If you're knowledgeable enough, use a discount brokerage that provides highly competitive fees for self-directed RRSPs, discounted loads on mutual funds, no additional transaction fees for switching from one fund to another over and above normal commissions, and deep discounts on commissions.

**12. LEARN ALL YOU CAN.** Read financial journals and consult a variety of professionals. Make sure you're comfortable at your financial institution, understand how your investment operates, and can read your financial statements.

#### YOUR RETIREMENT INCOME OPTIONS: RRIFs AND ANNUITIES

By the end of the year in which you turn 71, you must roll your RRSP into either a RRIF or an annuity. RRIFs work like an RRSP in reverse: you invest in the wide range of eligible securities, but are required to take out a minimum every year. It continues to compound tax-free so you can defer tax on its income as long as the money stays inside the RRIF by the time you're 80. If you do before then, your spouse can continue to draw from it and he or she is 80.

Annuities are fixed monthly payments purchased from a life insurance company with RRSP money. If interest rates are high, you can lock in a relatively high return by buying an annuity with some of your RRSP funds. Most annuities provide the security of a fixed monthly income over a guaranteed period of time, even if you become unable to manage your portfolio. Some pay out as long as you live, continue to provide your surviving spouse with an income as well, and then provide a death benefit — important if your spouse is considerably younger than you or you want to leave an estate.

This advertisement was written by Toronto freelance journalist Helen Kibbi.

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\*Rate of return for the period ending December 31, 1991, assuming income reinvested. The 7 year rate of return for the FutureLink Government Bond Fund is 18.09%. Past performance is not indicative of future performance.

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#### CHECKLIST OF QUESTIONS TO ASK BEFORE YOU BUY YOUR RRSP

1. What's your attitude towards risk? There's no point in buying an investment that keeps you awake nights.
2. How old are you? Young people can buy more aggressively than retirees.
3. What other pension plans do you have? If vested in a secure company plan, take some risk in your RRSP.
4. How knowledgeable are you? If you know your way around the market, for instance, consider buying common stocks through a discount brokerage.
5. What's your rate of return? "Take the RRSP label off the investment and ask yourself how hard you want it to work for you," suggests Robert Marfoeth of Investors Group.
6. How flexible do you need to be? If unemployment or serious cash-flow problems loom, buy investments that offer liquidity.
7. What are the costs? Make sure they're as low as possible.
8. Does your spouse have less money than you have in his or her RRSP? Consider a spousal RRSP.
9. How diversified are you? Don't keep all your investment eggs in one basket.
10. If you're cash-poor, do you have other investments you could roll into your RRSP?



## PEOPLE

### PRESIDENTIAL METTLE

For the first time in his 27-year career as a consumer advocate, Ralph Nader has entered the U.S. presidential race—as a write-in “pretzel” candidate for the Feb. 18 primary in New Hampshire. Nader, who is campaigning as an independent, freely acknowledges that he stands no chance of getting more votes than George Bush or Arkansas Gov. Bill Clinton, the Democratic front-runner. But the activist is still urging disaffected voters to use his candidacy as a means to send a powerful message to Washington.



Nader: 'Get up with all the politicians.'

Photo: AP/Wide World

Said Nader, 57: “I’m the way to rally up how many people are fed up with all the politicians.”



### Comic volleys

**H**arassment stress. The Carveys say that her sister, Candice, came Mike Myers, seemed uncomfortable during the shooting of a love scene for their new movie, *Romeo's World*. Said Carvey, who has also appeared on the TV series *Married... with Children*: “Poor Mike. It was hard because he was so nervous and his girlfriend was also on the set.” In the movie, Myers and co-star Diana Carvey play the popular characters that they originally created on NBC's *Saturday Night Live*. Carvey, 35, said that she craved the two comics' on-set banter: “You just watched these guys go at it, back and forth. It was like the tennis match of comedy.”

Carveys love scene

### Prime time

**I**n 1974, Jan Tennant made TV history when she became the first woman to read the CBC national news. Now, she is hosting *Global TV's The Time of Your Life*, a 13-part series about how Canadians over 40 deal with middle changes. Tennant, 55, clearly qualifies as a subject on her own show. In 1989, she left a broadcasting career as *Tennant and "homesteaders"* to Vancouver, with her husband, George Robertson. Tennant said that she has no regrets: “I'm having a life that I never had before. My biggest concern is the morning here is getting up and looking the birds.”



Tennant: the time of her life

### Sing softly and carry a big stick

Canadian-born singer Paul Anka used his fortune in the 1950s with such sentimental fervor as *Diane and Pat Your Head on My Shoulder*. Now, he is a wealthy entrepreneur living in Los Angeles, but he is still connected to his

Ottawa birthplace. Last month, Anka flew to his home town with a team of lawyers to try to claim his option to buy a half interest in the Palladium, future home of the NHL's Ottawa Senators. Terrace Investments Ltd., which owns the team, says that Anka's option expired on Dec.

Anka: sentimental?



Photo: AP/Wide World

### STANDING TALL

Country singer Tanya Wynette demanded a nationally televised apology. The cause of her concern: a remark on CBS's popular 60 Minutes program by Hillary Clinton, wife of Democratic presidential hopeful William Clinton. Hillary Clinton said that she supported her husband despite allegations of marital infidelities. Referring to Wynette's 1979 hit *Stand by Your Man*, she added: “I'm not sitting here like some little woman, standing by my man like Tanya Wynette.” An indignant Wynette wrote to her: “With all that is in me, I resent the casual remark.” Last week, Clinton said that she didn't want to hurt Wynette. “I happen to be a country-western fan,” she said. “If she feels like I've hurt her feelings, I'm sorry about that.”

18, 1991. But as the wrangling continued, the number of more than 600 songs existed that he has nothing but fondness for Ottavio. Said Anka, 50, who also has a reputation as an astute businessman: “I don't get back here a lot, but when I do, I make a point of getting into the car and driving around and, well, just getting sentimental. I guess.”

# When 30% of High School Students Drop Out...



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## TELEVISION

# Fine-tuning CTV

### The private national network reinvents itself

When he resigned as president and chief executive officer of Campbell Radio Inc.'s British Columbia division two years ago to take over the same network Ltd., Toronto-based CTV Television Network Ltd., John Cassiday made a promise: never to "get the juices flowing" at CTV's only national, privately run network. As it turned out, Cassiday, who had built a reputation as a maverick genius during his six years at the food company, had neither himself a full order. Ratings had doubled 16 per cent the season before. Advertising revenues were flat. And the network, as a condition of a five-year licence with the Canadian Radio-television and Telecommunications Commission (CRTC), was locked into spending about \$90 million on Canadian programming in each of the following two years—an 80-per-cent increase from the mid-1980s. Perhaps most significantly of all, conflict among CTV's eight affiliate owners was threatening to tear the network apart.

By the end of last week, however, Cassiday's efforts to forge a new, more effective and harmonious CTV corporate structure finally appeared to have paid off. At a disastrous meeting that opened three warnings of serious negotiations, the eight members of the network's traditionally fractious board reached a tentative agreement on a new power-sharing structure among five members for the 31-year-old network. Said Cassiday, 39. "We've got a lot more work to do, but we've come further than any of us ever dreamed possible."

Unlike the big American networks, which are centrally owned or controlled, CTV has operated as a cooperative, with its 25 Canadian stations represented in its board by their eight owners—each with a single vote, and veto power, on network issues. That system has frustrated Canadians, often beside themselves at the direction of the network. As well, the network's larger members, with several major stations, complained that the system gave

Cassiday triumph and disappointment in one of broadcasting's toughest jobs

them only as much power as single-station members. Aside from the problems that those seasons created within CTV, they also caused considerable criticism among CRTC officials. Members of the watching commission have complained that the network's failed the unified front required to concentrate on what they are as CTV's major job: creating top-notch Canadian programming. Said Scott Stirling, president of Newfoundland Broadcasting Co. Ltd. in St. John's, which owns the CTV affiliate there, NTV. "The commission has made it pretty clear that it wants this sorted out once and for all."

Under the proposed new structure, which Cassiday plans to present to the CRTC in May, the five members who will become the new owners will control a total of \$20 million in the network. The three biggest members, whose voting power will reflect the fact that each received 20 per cent of the \$20 million and absorbed the same portion of debt, are Vancouver's BCC Western International Communications Corp., CTR Inc. of Montreal and Toronto-based Maclean Hunter Ltd. (which owns Maclean's magazine). The two smaller members, each of which will contribute five per cent, are Kitchener, Ont.-based ElectroMedia Ltd. and Melfort Communications Ltd. of Winnipeg. The three members of the current board that are not buying into the new structure—Baton Broadcasting Inc. and Canada Ltd. (which operates the Atlantic Television System), both based in Toronto, and Newfoundland Broad-

casting Co. Ltd.—will remain as affiliates, running network programs on their stations for a fee but having no influence on network affairs.

As the current system, the new ownership agreement allows CTV to buy a portion of the affiliate's broadcast time for network programming, and to sell advertising time on those shows. That revenue goes back to the network to pay for programming as well as operating and administrative costs. The balance will be divided up among the five owners, who can remain in the network as they—and the CRTC—see fit.

The departure of Baton, the network's biggest member, from the CTV board is in keeping with recent policy statements. Baton president Douglas Bassett has twice made blunt offers to his co-owners—most recently at a dinner meeting in April—and he had said that he hoped to secure an absolute majority ownership at the current negotiations. But it was widely expected that Baton, whose 11 CTV-affiliated stations make it the network's largest owner, would not agree to be part of any new structure that involved power sharing. Before last week's meeting, Bassett told Maclean's "CTV needs a 50-per-cent control block. You've got to have somebody in charge. It is not our position to be a new smaller cog."

Baton played last week to keep its shadow on CTV affiliates, but other owners expressed regret at its departure. From a network management point, said Douglas McDermott, president and chief executive officer of Maclean Hunter, which owns CTR in Calgary and Lethbridge. Also, "I'm sorry that Baton is not a part of it, but that's their call. It is a real big monkey because, on balance, when the major affiliate in Ontario, which is important to national television from both a program buying and ad-revenue standpoint, it's not so good as having it as a shareholder."

Still, the new agreement, however, does solve the thorny problem of how to apportion responsibility for deficits. Since Cassiday became chief, the network has lost about \$3 million—primarily because of the loss of ratings that followed his arrival and the high cost of complying with Canadian-content regulations (as estimated 25 per cent of CTV's \$150-million annual cost). Under the old system, no single owner bore the cost of content, but the network was responsible for ex-

isting shortfalls. In the future, the five owners will benefit from profits or suffer from losses in proportion to their shares in the network.

Cassiday set the process for last week's agreement in motion in September, 1990. In his first major effort to replace the troublesome co-op structure, he hired Toronto management consultant Clifford Rossman, president of Privately Consultants Ltd. and specialist in conflict resolution. But after four months of regular meetings between himself and CTV's owners, Cassiday said that he decided that "there wasn't the will to make real compromises." Others agreed.

Then, last fall, Cassiday turned to Harvard law professor Roger Fisher, a pioneer of mod-

ern conflict resolution methods and co-founder of Conflict Management Group of Cambridge, Mass. Experienced in negotiation as many of the world's hot spots, including South Africa, Yugoslavia and the former Soviet Union, Fisher also presided over two seminars on Canadian television that Maclean's conducted last year. CTV broadcast a special report on one of those seminars on June 30. Fisher first met with CTV's owners at a three-day session in November, which included meetings that went late into the night, resulting in tentative plans for a new division of powers. They met again in December, and then on Friday, in a satisfying effort to forge a solution before the CRTC hearing.

The tentative agreement has not specifically ruled out the possibility that the three owners of affiliates who have chosen not to be on the new board, as well as any future purchasers of CTV stations, could of their own accord place in the network's backyard. The most likely outcome is the one that Maclean's Managing Media mogul Israel H. (Izzy) Auper, owner of CTV's biggest private-sector rival, CWest Global Communications Corp. Last year, Auper announced that he was considering the purchase of CTV affiliate CTVN in Calgary and Lethbridge from Baton Broadcasting. In the same case, he agreed to lend about \$65 million to Montreal CTV affiliate CTRP in return for a future controlling interest in the operation. Both arrangements eventually fell through, but not before many of CTV's owners expressed strong reservations at the prospect of having a major competitor at their meetings. For his part, Cassiday said that he would have "a difficult time imagining Mr. Auper at the head table."

Other difficulties also went unresolved in last week's agreement—particularly those dealing with Baton's concerns about the expatriation plan of WCC. It owns CTV affiliates in Vancouver and Victoria, as well as two CTR stations and three independent stations in British Columbia. And in March, it signed an agreement in principle to buy Hamilton TV station CHCH from Maclean Hunter—leading to a letter of complaint from Baton to the CRTC. The reason: CHCH's biggest competitor is southern Ontario's Ontario air Baton's CTRP in Toronto and the CTV affiliate CTRP in Kitchener, owned by ElectroMedia. WCC's position as CTV's backbone could give it undue information about those competitors and, Baton contended in the letter, that would place WCC in "unavoidable, serious conflicts of interest [a]nd virtually all areas of CTV's operations." Last December, the CRTC allowed WCC's purchase of CHCH—but said that while WCC could keep use of its CTV affiliates, it had to sell the other one. WCC executives plan to appeal before the commission due month to ask for that condition to be dropped.



R.N.G. is Sara Rossford and Mark Hamptrey: viewer input

Shirley, Cassiday says that he is confident that the CRTC will find the new ownership arrangement acceptable. And as for the CTV board, he said the finishing touches on the restructuring agreement, the president as also negotiating with financial sources. Despite the losses of the past two years—and the industry-wide difficulties in attracting investment during a recession—CTV managed to increase its ad revenues by seven per cent last year. And since Cassiday assumed office, audience ratings have risen an average of five per cent for CTV's prime-time Canadian programming and an impressive 18 per cent for its prime-time American fare.



Cassiday, stepped aside

With such a well-planned, cost-cutting program to lure advertisers and new CTV to viewers, the new chief, who has three children with his wife, Mary, has managed to bring a profit out of the network in its last full quarter. And many experts credit that turnaround to Cassiday and Maclean's previous head of broadcast history at the University of Western Ontario graduate school of journal-

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## TELEVISION

seen in London. "With audiences being pulled in all kinds of directions, you need someone who is highly market-oriented. Casaday seems to be that kind of person."

When network executives appear before the CRTC this spring, Casaday says that he intends to ask the federal regulator for what he calls "a bit of time to figure where we are"—in terms both of revenues and of ownership. Then, he says, he can begin dealing with the commission's continuing concerns about increasing the amount of Canadian-made programming. When the CRTC granted CTV its current five-year licence in 1985, the network's owners had just developed a new profit-sharing system that allowed the seven equity to be channelled into

de jure and the Thursday-night prime-time dramatic series *E.N.G.* Soon after taking office, Casaday ordered a stylish new set for *Canada Now* and hired J. D. Roberts, previously an anchorman at Toronto's CTV-TV and at WICV in Miami, to "breathe life" into the morning news program. Since then, the show's audience has grown 18 per cent. At *E.N.G.*, viewership has jumped 28 per cent since Casaday's arrival—a success that, he argues, is new dramatic direction is owed to the show's weekly series of audience surveys. Said the president, "In today's increasingly fragmented TV world, you've got to find out exactly what viewers want—and give it to them."

Meanwhile, in order to bring advertisers to CTV, Casaday's promotional department has



Roberts and co-host Pamela Williams on Canada AM set: ratings successes

domestic programming. In response to that new flexibility and pursuit of a several years of healthy profits at the network, the commission increased CTV's Canadian-content requirements by about 75 per cent, to \$403 million in Canadian programming expenditures over the five years of the licence. But Casaday says that, during the revision, "those kinds of outrageous requests to 'see future and find the earth move,' references to it's new car and to a scene in the film in which actress Meg Ryan's character takes an orgasm in a restaurant."

At the same time, in an effort to achieve what he calls "new investment," Casaday has trimmed news budgets and eliminated 54 staff positions from a total of 450, mostly through attrition, as well as closing news bureaus in Winnipeg and St. John's. Since CTV employees say that the reductions have created morale problems and dampened the network's news-gathering capabilities. Declined one senior staff member, who requested ano-

designated several campaigns aimed to justify private network programs and the companies that sponsor them. Typical was last November's sale to General Motors Corp. of every commercial minute of the two-hour movie *When Harry Met Sally* in return, the car company placed advertisements for the movie in magazines and newspapers. The story sold encouraged viewers to "see future and find the earth move," references to it's new car and to a scene in the film in which actress Meg Ryan's character takes an orgasm in a restaurant.

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# Why not?

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# Who's who, what's what and why.



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THE WELL-INFORMED CHOICE

activity: "It makes for less investigative news. Good news is an investment and sometimes a gamble, and when you don't have the bones or the money, it suffers." Meanwhile, Cassidy says that he is always on the lookout for other savings. Among his most recent decisions: trimming 36 primarily early-morning hours of about 230 hours of Olympic programming from the network's coverage of this year's Summer Games in Barcelona.

Despite these actions, Cassidy is quick to point out that his vision of CTV in the future is not only leaner and meaner—but bigger and better. On March 9, with the help of syndication specialists, Foster Parents Plan of Charlotte, the network will begin producing 30- and 10-minute evening radio newscasts, to be presented by CTV News anchorman Lloyd Robertson, for AM stations across Canada. Robertson's anchoring of these clips, says Cassidy, also reflects his determination to make CTV's better news personalities more aggressive.

He added that he is also considering the creation of a separate TV newscast to be sold on a syndicated basis to CTV and independent stations. As well, Cassidy says that he is exploring the possibility of launching a 24-hour specialty news channel, modelled after Newfoundland Cable News Network's Headline News channel, owned by Ted Turner—and that he intends to submit a formal proposal for the service to the CRTC. He is also negotiating with officials at other networks, including the youth-oriented TTV, to swap programming and share facilities.

But the past 24 months have had as many broadcasting setbacks as triumphs for Cassidy, who holds what many industry analysts consider to be one of the toughest jobs in broadcasting. Said Dennis Leach, a Toronto-based investment analyst: "I wouldn't have Cassidy's job for all the tea in China—the problems with constraints, with the operators, with how the whole thing is operated, and the fact that every time I make a dollar, I was going to be labelled as anti-Canadian." But the CTV president has definitely made progress—most notably on the ownership front.

Broadcasting experts say that the new system will make CTV more effective as a highly competitive and integrated industry. Said Nolan: "If you've got a group of affiliates struggling like they did, with that serious structure, it's just to be debilitating. They've got to have a structure where they're not going through these internal struggles—there's enough to look out for externally."

Referring to last week's agreement, Cassidy said: "We've moved the ball another 10 yards down the field. We're definitely near the end zone, but not over the goal line." As he looks ahead, Cassidy says that he intends to be versatile. "What I want to ensure there is," he added, "is that CTV does not get locked into the formulas that have worked—and sometimes got worked—for the past 30 years." Determined to guarantee a troubled network, John Cassidy is racing in to the future.

VICTOR DIXON

# Where?

## Test your development IQ! Question 6

Where in each country does Foster Parents Plan work? (Circle the incorrect answer):

- urban slums
- small towns
- orphanages
- farm communities
- fishing villages



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# Survival strategy

Ottawa steps in to help the book industry

In a Commonsense committee meeting in October, Charles Cook, Conservative MP for North Vancouver, declared that, only North Vancouver, declared that, only quality books—and that government subsidies to the country's publishers should be cut. But last week, as a Toronto hotel ballroom packed with publishing executives and members of the media, Communications Minister

Patricia Beatty delivered a very different message. In a package of initiatives affecting Canadian publishers, he announced that \$182 million in new federal government funding would go to the industry-ridden book industry over the next five years. The minister made no reference to Cook's contrived remarks. But a fact sheet to the department of communications press kit did offer a quiet rebuttal, a cited a 1991 survey commissioned by the department which found that only eight per cent of the 1,693 respondents were of the opinion that there were "no Canadian authors worth reading."

Still, the estate's publishers are struggling to survive. Beatty said that the increased funding available to firms that are at least 75-percent Canadian-owned, will help the industry overcome its current cash crisis in the short term. Added to existing subsidies, the new \$182 million will raise the federal funding total to \$340 million over the next five years. But the initiatives also aim to improve the sector's stability and prosperity in the long run. Beatty announced funding to replace lost postal subsidies and new regulatory changes that would allow a foreign takeover of a publisher to prevent it from going out of business.

To replace the book industry postal subsidy that the government began phasing out in 1996, there will be an additional \$25 million per year for five years, starting in 1999. That subsidy loss, overlaid with the recession and the cut—the first Canadian consumer tax cover applied to books—has hit the sector hard. In 1996 alone, five firms, including Edmonton's Murray Publishers Ltd. and Toronto's Lester & Orpen Dennys, closed operations. Said Roy MacSterling, director of the Association of Canadian Publishers (ACP): "I think that trend would have continued if there hadn't been this kind of decisive action and commitment to funding." Robert Sklar, director of the pub-

lisher of Saskatoon-based Western Producer Prairie Books, which suspended operations for financial reasons last year, said that the new initiatives "will make some difference, but for some publishers it is simply too late."

The new regulations in the area of foreign investment and ownership will support the so-called *Blue-Canada* policy of 1985. That policy

for 51 per cent of the industry; the government had to come up with the money. As a result, the government's Canadian Development Investment Corp. has paid more than \$8 million in total for relevant publishers (Glen Publishing Canada Inc. and CLE Canada). Other, similar cases have yet to be resolved.

Like *Blue-Canada*, the new policy will limit foreign investments in new publishing operations to Canadian-controlled post-mortem. But the new program makes clear that foreign acquisition of a Canadian-controlled book publisher may now be allowed if that company is in what Beatty called "clear financial distress," and no Canadian buyer emerges. And foreign buyers of multinationals would no longer have to divert control of Canadian branch plants if the new owners agree to take action that will be of net benefit for the domestic industry in general. Those measures could include marketing Canadian books in foreign countries or dropping alliances with Canadian book distributors. Many publishers say that they are encouraged by Beatty's initiatives. "Blue-Canada was very well-meaning but it was unenforceable," said Anne Porter, president and publisher of Key Porter Books in Toronto. "If the new guidelines are going to be enforced, then I think it will work."

Still, booksellers and librarians have been highly critical of changes to the Copyright Act that Beatty also announced as part of its program to strengthen the publishing industry. Many Canadian publishers act as distributors of imported books within Canada, and Beatty said that they will get greater protection for their exclusive distribution contracts. While obtaining more books through these Canadian distributors, stores have also been able to save money and obtain books more quickly through practice known as buying abroad, which means ordering books directly from foreign publishers. Canadian publishers say that they lose as much as \$100 million a year to the practice. Booksellers maintain that the figure is closer to \$3 million.

For now, it appears to be seen how U.S. free trade negotiators will respond to Beatty's program, which the minister and industry representatives expect to have in place by April 1. Certainly, the new program gives preference to Canadian-owned publishers. But at the same time, it represents a softening of the federal government's stance on foreign investment in that it would allow struggling Canadian publishers to seek refuge in foreign ownership. Said ACP's MacSterling: "I'm speculating, but I've said that it might be made very easy for a Canadian company to sell out and I think that's a retrograde step." Still, the country's book industry is looking forward to a time when it is more likely to publish than perish.



Porter: "If guidelines are enforced, it will work."

attempted to increase Canadian control of the publishing sector by restricting foreign ownership of newly created firms and at Canadian branch plants. Industry acquired through a takeover had to be 51 per cent Canadian. But it proved to be costly and difficult to enforce—especially after the Free Trade Agreement took effect in 1989. The government was left in a difficult position: if a U.S. company purchased a multinational publisher with a Canadian branch plant, and if no Canadian buyer could be found



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## FILMS

# Nightmare in Prague

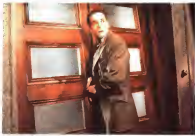
*Franz Kafka's dark vision reaches the screen*

KAFKA

*Directed by Steven Soderbergh*

Three years ago, Steven Soderbergh, a noted director from Rotten Row, La., became the toast of the Cannes Film Festival with an, um and adverbly. The story of a man who makes private notes of women's erotic confessions, it was the grand prize at Cannes. The title became a household phrase. And with a budget of just

Instead, the movie makes an imaginary leap between Kafka's life and his art. Its premise: what if the multi-talented author woke up in the land of nightmare world that he created in his fiction? Although the movie's subtext serves as an extended literary joke, Kafka clearly seems to be a popular thriller. And in an interview with *MovieLine*, Soderbergh said that it should be seen that way. "I was very careful not to have any piece of the story hinge on your foreknowledge of Kafka," said the 39-



*Inside a brilliant performance as a hunted man chased by a terrifying assassin*

\$1.4 million, the movie grossed \$38 million in North America. Soderbergh could write his own ticket to Hollywood. And the result is Kafka, light-years removed from the no-frills, contemporary drama of art, sex and nihilism of his early period thriller about an exotic location (Prague), with elaborate sets and major star (Jeremy Irons) in the title role.

Denying a brilliant performance from Irons, Soderbergh has shown that his first success was no fluke. Visually, the career is exhilarating. Filmed mostly in black and white, it jettisons Prague as an exotic mine of staging studios. And although the plot builds to a fierce resolution, Kafka is engaging at every turn.

The title, like the story, is deceptive. Kafka is not based on the life of author Franz Kafka (1883-1924), which was largely uneventful. Nor does the movie spring from any one of his works, which include such classics as *The Trial*, *The Castle* and *The Metamorphosis*.

year-old director. "I wanted anybody to be able to walk in and get it."

For the first half-hour, the story is quite bewildering, but not because of literary result. Soderbergh builds suspense by keeping the audience in the dark and on the edge—just like his main character. "It is a film about confusion," and the director Kafka, who works as a clerk in an insurance company, learns that his best friend, a coworker, has disappeared. When the man turns up dead, the police inspector (Annie Madden) calls it suicide. Kafka suspects foul play. And the seductive Gabriela (Theresa Russell), the victim's friend, confirms Kafka's suspicion—while luring him into a circle of nightmares.

Back at the insurance company, office politics begin to take on a sinister edge. An ally supervisor (Jeff Grey) goes into Kafka's affairs. And the paternalistic Chief Clerk (diply portrayed by Alec Guinness, gives Kafka a

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## FILMS

# Apocalypse then

Francis Coppola made a classic amid chaos

### HEARTS OF DARKNESS

A FILMMAKER'S APOCALYPSE

Directed by *Fritz Bauer and George Winkler*

It was the first Hollywood movie to really take on the Vietnam War. Inspired by Joseph Conrad's classic novella *Heart of Darkness*, *Apocalypse Now* set the pattern for the next decade of Hollywood movies about Vietnam—films that tried to exercise the fear and guilt of American involvement. Released in 1979, *Apocalypse Now* portrayed the war as a surreal, extreme atrocity, but the madness of filming it almost overshadowed the drama on screen. With his crew and crew, the director, Francis Coppola, spent nearly a year and a half shooting in the Philippine jungle. He had to contend with a civil war, a typhoon that destroyed nearly all of his sets, a riot sparked on drugs and alcohol, and a heart attack that struck down his leading man. Throughout the debacle, Coppola's wife, Eleanor, was quietly busy showing over his shoulder. Her footage—combined with outtakes and trash interviews—has been turned into an astonishing behind-the-scenes documentary *Hearts of Darkness: A Filmmaker's Apocalypse*. Assembled by two young American directors, Fritz Bauer and George Winkler, *Hearts of Darkness* is an absurdly crude and often embarrassing exploration of ego, obsession and the creative process. It contains remarkable footage of a drunken Martin Sheen, an obviously scared Steven Hopper and an awkwardly Marlon Brando. But at its heart is

a candid portrait of Coppola as a tragicomic Quixote trying to film the impossible film.

When Coppola began filming *Apocalypse Now* in 1978, he was flush with the success of *The Godfather* and its first sequel. He took his fortune and making the great American movie about Vietnam. In the process, he ended up creating his own Vietnam in the Philippines. He did not know why he was there. He could not withdraw. He became a victim of his own escalating imagination.

Meanwhile, Eleanor Coppola, who narrates *Hearts of Darkness* calmly documented her husband's growing desperation. As well as shooting in the set, she tape-recorded his conversations without telling him. At one point, he laments, "I don't know what I'm doing. The script doesn't make sense. I have no ending. I'm like a man crying out, 'surrender.' Please, it's not working. Somebody put me out this. Everyone says, 'Francis works hard as a man.' I'm saying this scene isn't my not going to pull out of it. I'm making a bad movie."

The last Hollywood director who tried to film *Heart of Darkness* was Orson Welles, in 1939. He eventually gave up and made *Chthon* (Keweenaw). A recording of Welles's ominous voice, reading from Conrad's novella, adds a rich irony to the documentary. Very loosely based on the book, *Apocalypse Now* is about an American officer (Sheen) who leads a squad of men, across the border into Cambodia. Their mission is to eliminate the renegade General (Brando), who has set himself up as a despot among the natives.

Scene from the documentary: typhoon, civil war, drugs and a heart attack

Stating out his own heart of darkness in the Philippine jungle, Coppola begins to unravel Kurtz himself—a schizophrenic losing his grip in the jungle. But it is Sheen who sees what Conrad calls "the beauty." Outlines show the actor, drunk and naked, going through a nervous breakdown while playing a scene. Later, he suffers a heart attack. And Coppola seems most worried about damage control. "If Marty dies," he says, "I want to hear that everything is OK and I say Marty's dead."

Sheen returns to the shoot after five weeks of recuperating. But then Coppola faces his ultimate challenge: with the arrival of Brando. In the documentary, as in *Apocalypse Now*, the actor's appearance is saved for the end. Both films become, in effect, "Waiting for Brando." When the great despot of acting finally shows up, he is obese, unprepared and unaccounted. Although the actor is being paid more than \$3 million for three weeks' work, he has not even read Conrad's novella. He is a plump, white Brando whose detached stunner Coppola's quest seems absurd.

Despite the director's conviction that *Apocalypse Now* was doomed to fail, it did not. The movie earned more than \$170 million and has stood the test of time. It is, in fact, being re-released with the documentary. In *Hearts of Darkness*, Eleanor Coppola has clearly recorded her husband's screws in hell. And the result is perhaps an even more compelling movie.

BRISAN D. JOHNSON

## Maclean's

### BEST SEVER LIST

#### FICTION

- 1 *Orville and Soliman*, *Harold* (2)
- 2 *Murder at Midway*, *Spinks*, *Dennis* (4)
- 3 *Private Eyes*, *Kleinman* (5)
- 4 *Holloway*, *Klein* (6)
- 5 *Melody's Secret*, *London* (8)
- 6 *Super Street*, *Milburn* (10)
- 7 *Wilderness*, *Tips*, *Harold* (10)
- 8 *No Greater Love*, *Stor*
- 9 *My Radio Romance*, *Keller* (7)
- 10 *Prayers of a Very Wise Child*, *Conner* (3)

#### NONFICTION

- 1 *Revelation from Within*, *Shenker* (7)
- 2 *Peppercorn Report*, *Palmer* (3)
- 3 *Bookish*, *Roberts* (2)
- 4 *The Betrayal of Canada*, *Marty* (10)
- 5 *Whorehouse*, *Palmer* (7)
- 6 *My Story of My Life*, *Heifetz* (16)
- 7 *The New Canada*, *Thompson* (1)
- 8 *The Value and the Worth*, *Woodward* (10)
- 9 *Witness on World War II*, *Roberts* (1)
- 10 *Den of Thieves*, *Shenker*

(1) Fiction last week

Compiled by Brian Bellone

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## Affairs with a warning label

BY ALLAN FOTHERINGHAM

It's been an old Newsway hat and in the best advice ever handed down by Tin Tin Alley. Thousands of stage-door johns have survived intact because of it, avoiding being filled with shotgun pellets. Give her diamonds/And give her much/Oh error, error, error, just as it is ink. It's been the motto for generations of sugar daddies who have become smitten by long-legged blondes.

Any wise man knows the talking dynamite contained in love letters that seemed so appropriate in the time. Tracks in attack, harbouring thick letters told some a blue ribbon, play so many a man's mind—wondering if a lady less would suffice to buy back the evidence.

But progress, as ever, marches on and technology, as ever, overwhelms love and romance just as it smothered everything else. Ask Bill Clinton. The Arkansas governor, the transforming Democratic candidate for the most powerful post in the world, finds himself so deep-dung because of a free tape recorder.

Don't they ever learn? Nope. Chaps who don't want to write letters, recalling the Broadway advice, think that modern electronic magic is the solution to ensuring privacy. In fact, it's the opposite. Does a state governor actually think a telephone line is secure? On the Washington/Moscow red phone, how many spies and interceptors and security biffers are listening in? A million.

Plus Clinton thought he was just passing the time of day with his Grand General Powers Governor, had other language plans in mind, but his baby tape recorder whizzing away with goodies that the tabloids would love.

Don't they ever learn? Nope. The ear phone is the latest of society's toys, giving the owner the advantage of instant communication at the "privacy" of his house. Bill Smith, the former attorney general of British Columbia, a language specialist to be premier, learned there's nothing private at all when somebody taped as he has calls to his gubernatorial Victoria press gallery. Why didn't he do his marriage much good, and his political career even less, considering what it revealed about his ethics involving a

newspaper logged in the computers was long dead, and decided to clear out what was in the computer trashcan.

What they discovered, among other things, was three letters being carried on—Mister Flagg in circulation arranging to meet Buzzer Smeat in advertising at the No-Tell Motel on Thursday afternoon—via computer messages. Also, two bright young reporters, since gone on to higher fame, had been, on night shift, writing a novel that had been stored deep within a computer bank.

Don't they ever learn? Nope. Bryant Gumbel, the star face on NBC's *Today* show, still hasn't recovered his show since, prior to going off on holiday, scouting his producer—a computer message—a scathing review of his competitors, including the subtle and widely popular weatherman. Michael Scott. What he didn't know about was the button labelled "Erase." Bryant absent, the staff pulled up the memo Bryant wrote.

Do they learn? Nope. One of the loudest and most enthusiastic young women in Canadian journalism arrived at a major newspaper and, several months into the job, submitted her boss via confidential computer message that she was "a Type A personality" and expected to be managing editor at least a level rise. Only problem? Didn't understand computers. Computer glitched, punched four screens and called up the memo. Like Mr. Smith, she is wise—and more so.

There is little hope for salvation. They are all screwed on, the electronic scene. You don't even need dirty looks, or dirty names, anymore. Every newspaper with personal ads—ever loaded at the Yellow Pages—affairs this-

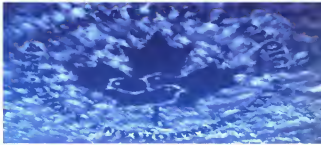
phone sex. Trifling without seeing from your living rooms, passion without the problem of parking.

Gary Hart was done in by an anonymous telephone call in a *Maclean* paper accusing the Doona Rice was on the way to a certain Washington residence. Bill Smith was done in by the naive belief that cellular phones can't be tapped. Bill Vander Zalm was done in because it never occurred to him that someone might have a tape recorder at the other end of the phone.

It's enough to turn a man off romance, not to mention politics. One gets the sense that the only safe method to conduct sexual feelings is via language. Or perhaps scotchphone signals.

The Scots, taught to us by three stone guys who averaged phone tapping almost 100 years ago. Electronics is doing the same to romance. This may be the only thought that may bring back letter writing.

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